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The Growing International Connection

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Preface

These proceedings are published by Agricultural Cooperative Service, U.S. Department of Agriculture, at the request of the bargaining and marketing cooperatives. This 35th National Bargaining Conference was combined with the Pacific Coast Bargaining Conference and held January 16-18, 1991, at Seattle, WA.

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THE 1990 FARM BILL: WHAT'S IN IT AND WHAT ISN'T

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Farm policy is the subject of periodic review and legislation by Congress with input from the Administration and various farm, consumer, and other interest groups that make up the unofficial "occupational parliament" in Washington. The latest effort was the 1990 Farm Bill, which contains 25 titles ranging from commodity programs to trade, food stamps, research, rural development, and other provisions.

The first major U.S. agricultural law with price support provisions was the Agricultural Adjustment Act of 1933. After World War II, support provisions were recodified in the Agricultural Act of 1949, which still serves as the main U.S. farm law. At 5-year intervals, a new Farm Act is passed that amends the 1949 Act and supersedes the previous 5-year Farm Act. The focus of much legislative activity during the past year was on development of the new Farm Bill known officially as the "Food, Agriculture, Conservation, and Trade Act of 1990."

Farm legislation this past year was greatly influenced by the "1990 Budget Reconciliation Act." This act implements the 1990 deficit reduction agreement that prescribes spending cuts for a number of Federal programs.

As is typical of the legislative process, the Farm Bill was influenced by many different competing interests and somewhat different priorities on programs in both the House and the Senate versions. Differences in these versions of the Farm Bill then had to be reconciled in a conference committee. The Administration was not happy with either the House or Senate bills and raised the threat of a possible veto in letters from Secretary Yeutter to the Agriculture Committee chairmen of both houses. After intense interaction between the Administration with House and Senate conferees, a bill was approved by Congress in the wee hours of the morning on October 16, 1990, and was later signed by President Bush. The bill's cost is estimated at $40.8 billion over the 5-year period from 1991-95 after changes were made in conference to cut $13.6 billion from versions adopted by the Senate on July 27 and the House on August 1. These changes were made after the mandate of the previously mentioned Budget Reconciliation Act. In comparison, the cost of programs authorized by the 1985 act were about $80 billion.

When Congressional discussion of the Farm Bill began about a year ago, three aspects of the political climate were widely held to be different in 1990 compared with those of previous Farm Bills:

- Budgetary pressures to reduce spending were more intense.
- The conservation/environmental agenda had more political clout.
- Issues of international competitiveness remained central and were even intensified by the prospects for Uruguay Round/GATT (General Agreement on Tariffs and Trade) discussions in 1990-91.

In the final analysis, its clear the 1990 Farm Bill was budget driven. We can observe that the main goals of the new act are to: (1) further reduce spending, (2) help maintain farm income growth through expanding exports, and (3) enhance the environment. To the extent it provides growers more flexibility, it is also a more market-oriented Farm Bill.

Some of the Act's most significant changes are:

- A reduction in payment acres equal to 15 percent of the crop base on each participating farm for feedgrains, wheat, cotton and rice;
- A switch from the 5-month, early-season market price to a 12-month market price as the basis for calculating feed grain, wheat, and rice deficiency payments. starting in 1994;
- A reduction in the soybean marketing loan rate from $5.25 and $5.50 in the House and Senate Bills, respectively, to $5.02, with an additional 2-percent loan origination fee;
- A 5-cent-per-hundredweight assessment on dairy production in 1991 with an 11-cent-per-hundredweight assessment for 1992-95 (although this fee will be refunded if a producer can provide evidence that milk production on the farm did not increase from the previous year's level);
- A 1-percent fee assessed against sugarcane and beet loans, peanuts, and tobacco quantities marketed, and wool and mohair payments; and
- Inclusion of a number of features aimed at enhancing rural development, including authority for a new Rural Development Administration.

The most significant of these changes is the payment acreage reduction. It establishes the

approach to the target price commodities that has become known as "triple base." The idea is that in addition to the acreage on which a farmer receives payment and the acreage idled under the ARP (Acreage Reduction Program), there will be a third identifiable acreage that does not receive payments but on which the producer can plant with comparative lack of restraint. The only restriction is that the producer may not plant fruits or vegetables on this third base (flex) acreage (although the Secretary may prohibit other commodities). Program crops planted on this third base acreage are eligible for nonrecourse loan and marketing loan programs. In addition, producers will have the option to plant an additional 10 percent of their crop base to the same set of crops as permitted on the triple base acreage. But this is voluntary on the part of the producer. Again, payments are given up on this "flex" acreage, but the crop payment base is protected for future years if the producer wants to go back to planting the program crop later.

The act as signed into law does not reflect any of the anti-marketing order sentiment as expressed for example by the earlier Metzenbaum/Bradley request to the General Accounting Office for a study of dairy cooperatives and marketing orders. While the law does not include any new marketing orders with control features, it does authorize assessment-funded research and promotion programs for soybeans, pecans, mushrooms, and limes.

Conservation Provisions

The conservation provisions of the act are notable for having generated considerable debate on environmental issues. The main conservation or environmental provisions of the 1990 Act are:

- The "Swampbuster" provisions that impose penalties on producers who drain or otherwise convert wetlands for cropping purposes has been extended essentially as it was in the 1985 Act; however, there are provisions for waiving penalties in cases of "minimal effect" conversions, with opportunities for mitigation and restoration of converted wetlands, and graduated penalties that allow producers to pay smaller penalties in the case of relatively small violations.
- New water quality incentive provisions are established under which farmers may receive incentive payments to undertake practices that will manage chemical use in such a way as to prevent contamination of ground and surface water.
- The Conservation Reserve Program (CRP) is expanded to incorporate a wetlands reserve and to permit enrollment of acreage for purposes of water quality improvement, wildlife habitat, and other purposes beyond erosion control. The overall minimum acreage is increased to 40 million acres (6 million more than currently enrolled).
- Recordkeeping requirements for restricted-use pesticides are imposed that require farmers to keep records of usage and make them available to Government agencies.
- Research efforts are authorized in the areas of global climate change, bio fuels development, sustainable agriculture, and water quality improvement.

These activities are not significant departures from what is being done. The more radical conservation or environmental proposals ended up not being included in the 1990 Act. The most contentious of these was the "circle of poison" title to prohibit the exportation of pesticides that did not have EPA clearance. This provision, after much debate, was dropped. A second proposal on organic food labeling was passed. This remains in the Act but in a substantially reduced version from what had been originally proposed. Overall, the 1990 Act makes many gestures toward conservation promotion and environmental quality improvement.

The issues raised on environmental quality and food safety during the past 2 years suggest the need for agriculture to continue to develop a positive self-image of concern for these issues. Farm and food interests cannot become complacent just because the "circle of poison" and Big Green initiatives were defeated in 1990. It is expected that radical elements of the environmental movement will not give up, but will return with a much more limited but sharply focused agenda.

International Competitiveness

The issues bearing on competitiveness in the 1990 Act are as follows:

- Planting flexibility is seen as a key element enabling U.S. agriculture to respond to world market conditions as contained in the triple base program.
- The Farmer Owned Reserve (FOR) is changed to make commodities more accessible to the market when prices rise and to allow market prices to move lower before the reserve is opened up to new entry of grain.
- The Commodity Credit Corporation (CCC) release price is similarly reduced so Government-held stocks can be released with much less reliance on catalogs or certificates.
- The maximum wheat ARP is reduced from 30 to 20 percent.
- The export enhancement program (EEP) is continued without a budget ceiling. However, the FY-91 Agriculture Appropriations Act caps spending at $425 million.
- The targeted export assistance program (TEA) -- now called MPP -- is reduced slightly.

Overall, these provisions would appear to leave the United States in about the same international competitive position as under the 1985 Act.

More significant in the international picture is the outcome of GATT negotiations, which reached an impasse in December 1990 in Brussels and which may be jumpstarted early this year. The outcome of these negotiations is seen by Administration officials as being more important for agriculture than anything done in the 1990 Farm Bill. This is true especially in light of the budgetary restrictions that have already limited spending on agricultural commodity programs by roughly 20 percent. In other words, concerted efforts to reform world trading rules to open up markets abroad through GATT negotiations are of vital importance to U.S. agriculture. We can compete with other countries over the long term using our ability to efficiently produce farm products better than we can compete with treasuries of other countries that subsidize inefficient production. This is the market orientation with a safety net toward which current policy is aimed.

Rural Development Features

The Farm Bill, as have many in the past, included a number of features and programmatic changes for revitalizing rural America. Chief among these is authority for the Secretary to split community loans for water, sewers, business, and other developmental activities from the Farmers Home Administration. This activity would be placed in a new Rural Development Administration in USDA. Farmers Home Administration would retain its farm and rural housing activity. No plans have been announced for initiating this change.

Another feature of the rural developmental section of the bill is to authorize establishment of centers for rural or cooperative development. Proponents of this feature saw in it an opportunity to revitalize expertise on group action in agriculture in the Extension Service throughout the country. As you know, much of this expertise has been lost through attrition and redefinition of positions.

While proposing far reaching changes, the bill did not authorize much money to augment them. This is left in large measure to appropriation bills in each of the next fiscal years.

Does Farm Bill Portend More Group Action?

It should be clear that the 1990 Farm Bill closely meshes with the United States' position in GATT negotiations, namely that trade distorting internal policies, border barriers to trade, and export subsidies should each be reduced to provide freer trade among nations. The opening of markets abroad is viewed as essential to maintaining a highly productive American agriculture and the competitiveness of domestically grown products with those of other countries.

The outcome of these two negotiations, one just completed with Congress and the other with governments representing world trading partners, presents a different framework for producers. Price support outlays, or safety nets, have been lowered. Producers are subjected more to the impacts and vagaries of unorchestrated decisions by other producers in a global context of what to produce and when. This combination of new public policies suggests that agricultural producers face three major challenges: (1) maintaining financial integrity of their own operations to withstand ups and downs in the market; (2)

using more self help and group action to assure fair returns from the marketplace and to control their own destiny; and (3) coordinating production with market demand to assure a use and home for their products.

Agricultural producers are well equipped with an arsenal of group action tools that have been tested and proven over many years of operation. They include farmer owned and cooperatively operated credit and farm supply/marketing systems--on par with any in the world. They also include agricultural bargaining associations that represent a low-cost method for growers to enhance their price and incomes. Examples in this State are the Central Washington Farm Crops Association, Western Washington Farm Crops Association, Potato Growers of Washington, Washington Red Raspberries Association, and the Washington-Oregon Canning Pear Association. Equally important, farm operators have developed marketing cooperatives to provide themselves broader and better market access and consumer franchises such as Snokist, Tree Top, and Welch Foods. More than 178 cooperatives are using their own brand names for food products.

The opportunity in a more market driven farm economy is for producers to use their organizational tools more intensively and effectively. This action can improve market coordination, market power, and operating efficiencies, resulting in increased competitiveness in the marketplace. In some cases, new marketing mechanisms such as State and Federal fair practices laws need to be improved to protect growers' rights and interests in the marketing process. The 1990 Farm Bill did not address these group action issues.

Agriculture continues to be a capital-intensive business. Producers need to assure themselves returns commensurate with their investment and management. In an operating environment that includes a more market-oriented policy, use of group action tools will be more in vogue if producers seize the opportunity.

MARKET RISK PRICE PROGRAMS

David Zollinger
President
California Tomato Growers

We have a problem in the California processed tomato industry that has been with us more than a decade. This problem has had a major impact upon the association's ability to establish "uniform prices" on an industrywide basis. It is a system of pricing that I believe represents a clear danger to the vitality and effectiveness of cooperative bargaining associations across the United States.

Why is this system of pricing such a threat? Because the intent is for the processor to share in the grower's profit at the farm gate, and to cause the grower dealing with a proprietary processor on what heretofore had been a cash-at-harvest payment basis to accept an extensive deferral of crop proceeds. The grower must also accept a participation position with his final crop price based upon a pricing system using an *unknown* formula that tracks the sale of certain major industry segment commodities in the California private label market. Even though the grower was forced to a participation position, he would not have an ownership share in the case goods or in the processing firm.

A major function of the pricing system is to pass on market risk to the grower. As we all know, growers face great risk each season just in the production of their crops. This new price discovery system imposes, without grower control, a heavy share of market risk as well. Theoretically, if tomato consumption and product market prices improved, so then would there be an improvement in prices paid to growers. Conversely, if the market faltered and prices dropped, the grower would share in that liability. The system, however, has not worked out that way. There is far more downside potential for the grower than upside. The 10-year history of the operation of the market risk pricing system as compared to raw product price developed through other industry means, including the results of California Tomato Growers Association's annual negotiation with the State's processors, provides valid proof of the system's intended purpose of reducing payments to growers over time. Table 1 sets forth industry returns to tomato growers over a 10-year period.

Table 1--California tomato processors prices paid 1981-1990 net present value

Contract Type	Market Risk	CTGA Equating	Coops
		Dollars	
1981	53.15	50.00	44.29
1982	51.80	55.00	49.93
1983	50.11	53.50	58.12
1984	48.30	54.00	53.41
1985	48.50	53.00	44.73
1986	47.59	52.00	48.08
1987	46.21	48.00	58.42
1988	50.43	47.50	67.85
1989	54.55	55.00	66.75
1990 ytd	49.56	54.00	62.13
Ten Year	50.10	52.20	55.37*

*Does not include retains

If the market risk pricing program is as onerous as I seem to be portraying it, what would induce growers to do business with a processor insisting upon using such a scheme, and how could the processor hope to purchase sufficient quantities of raw product to maintain a multiple season supply?

To answer the above question, one needs to have some understanding of the "world of the processing tomato" and some feeling for the economic conditions that prevailed throughout the industry at the time when the processor foisted the market risk concept upon growers.

The time period when the pricing system was first introduced was well over 10 years ago, in 1979. At that time, the processed tomato industry was in an absolute depression. Processing firms were going bankrupt and their plants closing. Grossly excessive inventories were in processor hands with snail-like movement of case goods and prices at historic lows. Processor and grower costs of operations were excessively high, and with exorbitant rates of interest for operating and capital loans.

Growers in this environment were finding it difficult to maintain contracts with processors and discovered that there were no economically viable alternative crops.

Now, let us discuss an event that occurred in December of 1979. At that time, representtives of Hunt-Wesson Foods appeared before the board of directors of the California Tomato Growers

Association and delivered an ultimatum. Hunt-Wesson was the largest tomato processor in California at the time, and remains so today, processing 1.0 million tons of the 6.3-million-ton 1979 crop and an estimated 1.4 million tons of California's estimated 10-million-ton 1991 crop. The Hunt people informed the board that they were there to present a new pricing system called the index pricing system which was *non-negotiable* in all respects!

What was Hunt-Wesson Foods' rationale? The firm's representatives gave a litany of reasons why. They said it is obvious to even the casual observer that the California tomato industry had serious problems. They said the large 1979 crop had produced a surplus, and while this oversupply was not large on a percentage basis, it brought disproportionate pressure on many canners to dispose of inventories at less than economically realistic prices. Some private label canners, they said, were seemingly willing to give up finished product profitability and sell below cost to move inventories or to increase their market share. Such pricing strategies tended to lower the floor for the rest of the industry. Hunt-Wesson had a major concern at the time with the processing cooperatives in the industry. In 1979-80, there were five processing cooperatives in California. Three of these five no longer exist. Hunt-Wesson blamed the market situation on the large share of the industry, 27 percent in 1980, controlled by processing cooperatives.

To resolve Hunt's perception of the problem, the firm stated that it had developed an index to determine raw product price based on the selling prices of five major commodities in the California private label market.

As stated before, at the time Hunt was attempting to foist its index price program on growers, the industry was in a turmoil, and a comparison of the industry makeup then and now is of interest (table 1).

Considerable change has taken place in the industry, but what is the same is that growers in 1979 and in 1991 consider tomatoes to be the most profitable field crop in California. Many growers consider having a contract with a processor to grow tomatoes a privilege and are fearful of doing anything that might jeopardize the contractual relationship with their processor. This grower mentality was very much in evidence in 1979 and 1980 when processors were entering bankruptcy at alarming rates. It was vital to the grower's survival to have a valid contract with a processing firm of sound financial standing.

Table 2—Comparative industry profile

Categories	1979	1991
Number of growers	1,200	530
Number of processors	19	32
Millions of tons processed	5.5	10.5
Percent processed by cooperatives	27	12
Calif. percent share of world market	31	44
CTGA share of Calif. tonnage	29	50 plus
CTGA share of world tonnage	11	23

At no time in the history of the California processing tomato industry have conditions been as favorable as they were in 1979 and 1980 for a major, financially sound processor to press upon growers a contract that would be discarded out of hand in a more stable economic environment.

Ultimately, Hunt was able to contract the firm's full requirements under the terms of the index, market risk, system in the face of strong opposition from CTGA. Hunt assumed full advantage of the situation and signed a high percent of the firm's grower base to long-term contracts.

Through the 1980-83 period, CTGA was placed in a position of not being able to negotiate with Hunt due to a loss of member growers delivering to Hunt and the position of Hunt, during all of these years, that its hidden formula index pricing system was absolutely non-negotiable. During this period, CTGA did continue to negotiate and establish industry price with the balance of State's processors. But, at all times during the period, there existed the overriding concern that Hunt's final price to growers, with time value of money taken into account as to the deferred terms of payment, could and would fall far below the price level negotiated by CTGA with the balance of the industry. In essence, non-uniform industry pricing was of great concern in the early eighties as it is today. As you will note in Table 1, Hunt adjusted the final return in 1981 and paid more than the CTGA negotiated price. After that, our worst case fears were soon realized.

In 1984, CTGA, frustrated in its attempts to negotiate with Hunt due to being on the wrong side of bare-knuckled, massive corporate power

economics and now having problems with other processors because of the dual level of pricing in the industry, turned to the State legislature.

At the time, California law required processors to meet with bona fide cooperative bargaining associations for the purpose of conducting negotiations, but there was no requirement to bargain in good faith.

CTGA enlisted the help of the Speaker of the State Assembly, and with the strong and able support of the State's other bargaining associations supporters battled for months and years in the legislature to pass AB-1944, authored by Willie Brown, and it passed in 1983.

The final version of the law provided for good faith negotiations but didn't say it in exactly those words. Processors blocked the words, "good faith," but accepted the definition of good faith as amended language. The bargaining associations had sought dispute resolution through final offer binding arbitration. We didn't achieve arbitration but instead settled for an Agricultural Cooperative Bargaining Association Advisory Committee who would study industry bargaining problems and report its findings to the Director of Food and Agriculture, the legislature, and the Governor. The Advisory Committee chairs were to be filled by both processors and growers and/or their representatives.

Having proven that growers had the political clout, if not bargaining clout with Hunt, to pass appropriate legislation, then, CTGA let it be known that it would seek legislation that would cause the use of price systems that employed hidden formulas or other hidden means of establishing a price an unlawful act.

Straight away, this brought a howl of protest from Hunt. CTGA requested a hearing before the Agricultural Cooperative Bargaining Association Advisory Committee to discuss Hunt' s hidden formula pricing system. The hearing took place. CTGA presented the following question: "How can one be bargaining in good faith if an undisclosed formula using undisclosed factors is employed to establish price?" Hunt tried to answer the question but failed. Several weeks later, the firm announced at yet another Agricultural Cooperative Bargaining Association Advisory Committee meeting that it would make a public announcement to discontinue the use of the index pricing system, that it would replace it with a new system, and that it would negotiate with CTGA in good faith.

Following Hunt's capitulation as to the use of the hidden formula system, CTGA in 1987 attempted to negotiate the best price program it could with the firm. The result was still a market risk approach but with greatly improved terms of payment and clearly defined elements and their relationship to determining the final price. It still, however, was not considered a truly desirable contract by the grower community.

Major problems in effectively negotiating with Hunt and other midsize processors continued, and in 1987 growers introduced legislation to establish a bargaining dispute resolution method. Binding arbitration was a cornerstone of the legislation. Arbitration was not acceptable to a conservative California Governor and to the conservative leadership in the Assembly and Senate. However, the grower community had sensitized the Governor and legislature to the extent that processors recognized that a dispute resolution bill would eventually be passed. The Speaker of the Assembly again supported, guided, and eventually authored along with numerous conservative leaders our legislation. The State's processors formed a team to negotiate with the growers to estabish the language of AB-2642. The final version provided for dispute resolution through conciliation with the American Arbitration Association as the provider of the conciliator and other required services necessary to conduct the process.

Conditions improved and so did the Hunt contract now termed by the company as the market basket pricing system. It was still a market risk system. The market basket did not, however, keep up with current events. It was supposed to be a stabilizing price mechanism, but in effect, it stabilizes to the downside and does not yield enough upside potential.

The market basket does everything the processor wants, but it actually does not provide a fair deal to growers even though the association has improved its terms through negotiation with Hunt. Now the *real* problem is that other processors have started to say that Hunt is paying a lower price, and they want the same thing! This problem came strongly to the forefront when CTGA and H.J. Heinz Company could not reach agreement in 1990. CTGA went to conciliation,

first time it was used, with Heinz and reached an executed agreement. But the basis of the bargaining dispute with Heinz was the index pricing system imposed upon the industry by Hunt 10 years or more ago and continues to be used by Hunt in a somewhat altered form today. The bottom line is that the Hunt market risk concept is devisive and challenging to a bargaining association in that it inherently will differ in final seasonal price and over a long period from those yearly contract prices negotiated by the bargaining association, thus, producing in the proprietary processor community a non-uniform price.

In September of 1990, CTGA offered a 1991 season price to the California processors. We are, at this time, in intense negotiations with Hunt-Wesson and other major processors in the State. We have reached a situation with Hunt-Wesson where we are again unable to agree on price. Hunt-Wesson has moved from the bargaining table to the field and is stating that growers must sign their currently proffered market risk price program or the company will walk and never return. However, growers are not persuaded that they must sign with Hunt. Growers, in fact, are not planting for Hunt this season because of a shortage of irrigation water produced by California's severe drought, potentially dramatic inflation that may be created by the Mideast conflict, and the currently very profitable tomato products market. Growers also know that if they sign with Hunt at a potentially lower final price, all the other processors a grower may intend to do business with will want the same low price.

CTGA has applied for conciliation against Hunt-Wesson, Inc., for 1991 prie. The backbone of the issue is, of course, money!

Let us revisit Table 1.

For the entire 10-year period, the index pricing system, hidden formula system, market bas ket system, or market risk system, whatever you choose to term it, has returned an average of $50.10. Remember, this is on a deferred payment system, so you must take into account time value of money. CTGA negotiated price is based on payment of cash at harvest and quality incentives over the period and shows an average of $52.50. That may not seem like much, only a difference of $2.10, but if you take an average production of 7 million tons of tomatoes for that period, you have some truly big bucks. Interestingly enough, many in the industry talk about processing cooperatives not doing so well. For any processing cooperative official in the audience, note that you enjoyed a price of $55.37 over that same period. What do these cooperatives return? They return a fair value on investment and markets. They have had both rough and good years, but can you imagine what this disparity in prices means in our industry? The disparity between $50.00 not takinginto account the respective cooperatives' retain system.

This monetary end result is exactly what a leveraged corporation is looking for. It dramatically improves the corporate cash flow and, over time, nets a lower raw product acquisition cost. It seems as though every major processor in our industry has been through one or more leveraged buyouts and in Hunt-Wesson's case several LBOs.

Finally, my point is that the system of pricing adopted by this major processor during a period of great industry stress is designed to solely benefit the processor, it is disruptive to industry price negotiations at large, it doubles grower risk and presents a clear and present danger to every bargaining association in the United States.

I urge you, if you recognize this form of contract emerging in your industry, to kill it on sight!

THE WATER SUPPLY SITUATION

Jason Peltier
Manager
Central Valley Project Water Association

The water supply situation in California will be a bit tough for some of you to grasp without understanding the plumbing and some of the linkages. It will be tough to capture the significance but I will try to make it clear.

We have gone through 4 critically dry years in California. We have weathered them well. In fact, we had cutbacks on our surface supply systems only once, and that was last year when we had a 50-percent cutback. We have weathered those dry years because of a good ground water situation. We have a lot of ground water in the Central Valley of California, which is where I will focus my remarks. The ground water situation has been strong and the projects have worked, so we have been able to take water out of storage and get us through those dry years.

Now, we are looking at a situation for 1991 that is very scary. In the water business, you have to plan for the worst case. If we are not ready for the worst case, we can't cope. So we are a bit paranoid, and I will give you some numbers to demonstrate why.

The good news is that we are only halfway through the rainy season. A lot could change in the latter half of the rainy season . The bad news is we have had the persistent high-pressure system that has kept storms tracking north. In the first half of this rainy season,we have had less precipitation than in 1977, the driest year in California's history. So we are getting nervous and the panic buttons are beginning to be pushed. I am happy to be in Seattle rather than Sacramento for a couple of days.

The Central Valley Project (CVP) is a Bureau of Reclamation water project that serves about 3 million acres of farm land in the Central Valley and about 20,000 farmers along with about 3 million urban users. I work for the water districts that have contracts with the United States for water out of CVP. I am most familiar with CVP and will focus, therefore, on CVP for the most part. Storage in CVP reservoirs and including the main reservoir of the State water project at Oroville is about 53 percent of normal for this time of year. The total capacity of the major project storage reservoirs is 11.3 million acre feet. The 10-year average storage at this time is 6.7 million acre feet. Today, we have 3.6 million acre feet in storage. A notable problem in storage could be the Oroville facility of the State project, a 3.5-million acre-foot reservoir that has less than 1 million acre feet in it today, or 42 percent of average for this time of year. Folsom and others are in the 30-percent range. The backbone of CVP, Shasta Reservoir, has about 58 percent of normal, which is good news but it is declining rapidly.

You really have to look behind those storage numbers to the inflow precipitation numbers to get a feel for the problem in projecting how our water supplies might end up this year. We have had some shocking inflow numbers. For the Trinity reservoir on the Trinity River, the inflow is only 14 percent of the 10-year average. Shasta is at 45 percent of the 10-year average, and that's nice. Folsom on the American River is at 31 percent of accumulated inflow for this time of year. That's not good. At Shasta, accumulated inflow in 1991 is 664,000 acre feet compared with 800,000 acre feet at the same time in 1977, the driest year in our history.

Two precipitation problems stand out. Rainfall at Shasta Dam on the Sacramento River is at 16 percent of normal for this time of year. Rainfall at Blue Canyon on the American River watershed above Sacramento, the main indicator for the American River watershed, is 11 percent of normal. Those are the numbers that set the stage at the Bureau of Reclamation, Department of Water Resources, the main operating agencies in the State, for projections on water supply cuts. The State water project has announced its cuts will be a 65-percent cut for agriculture, and a 15-percent cut for urban customers. The bad news about the State project is that normal rain must fall from here on out to hold those cuts. Every day in January, an important big water month for us, that high pressure system sits out there the situation deteriorates. For CVP, we expect at least a 50-percent cut in supplies. We could have a wet year and end with a 25-percent cut. We could have continued dry conditions and have a 75-percent cut. There is a big range at this point because we have a lot of the rainy season ahead of us.

When we look at drought management in 1991, some considerations are out there that can cause great problems. Comparing them to 1977, our worst year for surface supplies, will show you how things have changed in California since 1977. First, we have 25 percent more people.

Second, Colorado River storage was fully adequate in 1977 because Arizona hadn't begun taking water. There was plenty of water from the Colorado system for Southern California in 1977. To get water from the Colorado system this year, an appeal has to go to the Secretary of Interior for consideration of greater water supplies. Decisions are very political in the view of other basin States on the Colorado system. There is less water going into Los Angeles from Inyo County and Mono Lake. Litigation has cut off 300,000 to 400,000 acre feet of water that used to go into the LA basin.

We have higher water quality standards in the Sacramento-San Joaquin delta. We have heightened environment concerns. In 1977, there wasn't a peep of concern from the environmental community. Everybody knew how bad it was. We don't expect that to be the case this year. We also have a broader problem that I call institutionalized environmentalism where the regulatory and operating agencies we're dealing with have a much stronger and more visible environmental ethic, and that presents some unknowns for us.

Another difficulty we have in the big picture is a growing anti-agriculture attitude in urban areas. Our opponents have done a tremendous job in getting people to recognize that agriculture uses 85 percent of the developed water in California. They wonder why farmers get so much water and they are cut back to where their lawns are dying. So we have an ag/urban split, a tension, even though we will see a huge transfer of water from farm to cities when we have reductions in the order of what we're looking at.

The worst case in California is the State project that serves about 1 million acres in the Central Valley getting a 100-percent agriculture cut and the CVP going to a 75-percent agriculture cut. Our ground water has carried us well, but last year pumping in the San Joaquin Valley went to unheard of depths and well failures are increasing. So the ground water situation isn't solid, and we could have some big problems if we have physical failures or deterioration of ground water quality to the point where it is not usable.

The worst case we see is an emergency mode in which survival measures and public health and safety considerations in cities are the driving forces. Stimulated by the Governor's decree of statewide drought emergency, we would probably have the Governor laying down a policy where cuts in the urban area would be held to X percent for public health and safety reasons and eliminate all institutional lines, whether they're Federal water contracts, State water contracts, and local water systems. Whatever is institutional would be considered nonexistent and then try to figure out how to allocate water in the pool to preserve permanent crops. If there's more, we could fight over that.

In summary, we need to be prepared for the worst case even though we have half the rainy season ahead of us. Let's hope for much better than normal precipitation. If not, I think everybody is going to be in the water business more than they usually are.

STATUS OF GATT NEGOTIATIONS

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Over the past month or so, the world has focused on the date of January 15 because of its obvious meaning for the situation in the Persian Gulf. We now know the world had good reason to be concerned about the date. But during the past month, some in the media were saying there was something else for which January 15 was important, and that something else may have even more long-term significance for the United States and the world than does the crisis in the Persian Gulf.

While these observations may seem overstated, especially in light of the events of the past day or so, what the media was referring to was the scheduled resumption of the negotiations being held under the auspices of the General Agreement on Tariff and Trade, or GATT, an organization of about 100 countries. It is important because it is the only organization that has rules for world trade in both industrial and agricultural products that are recognized throughout the world. The negotiations they are talking about are known as the Uruguay Round of negotiations. The round in GATT terms means a series of negotiations. This is the eighth round but it is much different from the previous seven. It is much different in that it is by far the most ambitious.

Fifteen sectors are being covered by Uruguay Round negotiations. These include agriculture, of course, textiles, and some new areas. One is called services and covers banking and insurance. Another is called intellectual property rights, which includes patent laws, and another area is investment measures. It is by far the most ambitious and encompassing round for a series of negotiations that GATT has ever attempted.

For agriculture, it is important to anyone who works with products that are exported or to anyone, actually, that has any stake in the future health of the U.S. agricultural economy. I am sure that when the program for your conference was developed, you put a GATT report on the agenda with the idea that Ann Veneman would report on the final agreement for the Uruguay Round. The Uruguay Round began in 1986 and was scheduled to end last month, December 1990, with a high-level meeting in Brussels. So, instead, I am here to report to you on the agreement that concluded the Uruguay Round. Unfortunately, it is going to be difficult because there was no agreement.

It is important, however, to understand why there was no agreement and where we can go from here. As I said, the Uruguay Round encompasses 15 sectors covering virtually every trade issue for industry and agriculture. The agreement did not come together because of the one sector that's most important to us—agriculture.

Before I continue, I will briefly review what the United States has been advocating for agriculture in Uruguay Round. We have been insisting on significant reform in each of four distinct areas. One is internal support. Government can certainly support their domestic agricultural sectors but they should do it in a way that does not distort trade. Another area is market access. We have been advocating the concept of "tariffication." That is a very Washington, DC, type of word that simply means converting quotas into tariffs and then reducing those tariffs. That is what we would like to see for increasing marketing access. Another important area is export subsidies. We think these are probably the most trade distorting of all subsidies and should be completely eliminated. The fourth area is sanitary and phytosanitary measures. That's the GATT term for the areas of food safety, animal health, and plant health. What we want in these areas is for the first time to have effective rules that govern what governments can do and what they can't do in the way of restricting imports because they say they have concerns about protecting health. So reform in these four areas is what the United States has been advocating for the Uruguay Round negotiations.

Two basic points of view developed overall in the negotiations. Basically, the U.S. approach for significant reform has been strongly supported by the Cairns group. It is composed of 13 agricultural exporting countries, the foremost members of which are Australia, Canada, Argentina, and New Zealand. We also have been supported by many developing countries in this push for significant reform. The other side is led by the European Community, our traditional nemesis in agricultural trade policy. We might say the Japanese and Koreans have supported, or some would say a better description might be hiding

behind, the European Community in attempts to resist agricultural trade reform. So we see two distinct points of view, basically two camps, regarding agricultural reform through the GATT Uruguay Round.

Last year, countries were asked to develop specific proposals for what they wanted a Uruguay Round agreement to look like. Our proposal said we had to have disciplined reform in each of the four areas in the area of internal support and market access. We should have reductions of 75 percent in the area of export subsidies. We should have reductions of 90 percent over a 10-year period that would start this year or next year.

The Cairns Group submitted a proposal almost identical to ours and there was a good deal of support among the developing countries. EC also developed a proposal that called for a 30-percent reduction but with some major problems. Thirty percent would be over the period 1986 to 1996. This means in effect that considering what the European Community already has done it would be facing about a 15-percent cut from this point to 1996 rather than 30 percent. And EC used a measure of support that would mandate an overall reduction of 30 percent but it could be in all three areas or could be only in one. In other words, policymakers could pick and choose from the areas where they wanted to have an impact. Our concern would be that the 30 percent would all come in the internal support area, and the EC wouldn't touch market access or export subsidies that would have been theoretically possible under its proposal. We oppose that approach and find it to be completely unacceptable.

If you are following Uruguay Round negotiations, especially through the media, it is important to realize that at this stage we are not primarily talking about a numbers game. We might see 75 percent for the U.S. and 30 percent for the European Community and think this isn't hard—let's split the difference and have a compromise agreement. That's not the case, however. The European Community has not committed to specific reform in each of the three areas. We need specific rules and we need specific reform for each area.

This was the situation as we entered the Brussel negotiations. The meeting began on December 3 and was scheduled to conclude completely by December 7. Early in the week, the European Community made a somewhat vague commitment, however unprecedented, that they could perhaps agree on reform in any of the three areas. Not much else happened early in that week. Finally, the gentleman who had been asked to chair the agricultural negotiation for the Brussels meeting, Matt Helstrum, minister of agriculture for Sweden, developed with the GATT staff what was meant to be a compromise between the two opposing points of view. What then became known as the Helstrum paper advocated a 30-percent reduction over a 5-year period, obviously a more substantial reduction, and that the reduction should be specific reduction and reform in each of the three areas.

We had some significant problems with the Helstrum paper. However, we said we thought it could be a basis for going further toward reaching an agreement. The Cairns group said the same thing about the Helstrum paper as did almost everyone else.

The critical meeting for the week in Brussels was a meeting the evening of December 6 in which the Helstrum paper was discussed for the first time by agricultural negotiators. The European Community led off by making a rather vague statement that perhaps the Helstrum paper could be a basis for going further. I was not in that meeting, but Secretary Yuetter told us later that he sensed some optimism that the momentum may gather so we could actually conclude an agreement on schedule. However, shortly thereafter, the Japanese in a confused statement rejected the Helstrum paper for further negotiations. The Koreans followed with a statement declaring about the same time. Both the Japanese and the Koreans said later that they had been misunderstood and that they did not mean to reject the Helstrum proposal, but it was certainly perceived that way. The European Community said we could go ahead with the Helstrum paper but the EC had certain conditions to attach to it. One was the rebalancing proposal, the European Community code word for being able to increase protection for certain commodities and decreasing it for others. The EC is most interested in increasing protection on oilseeds, corn, wheat, and feed from the United States. We have been

very clear for a long time that that is completely unacceptable and against the spirit of the negotiations. So, unfortunately, before the Japanese spoke was probably the high point of the week and it didn't get any better than that.

After the European Community attached its conditions, a number of Latin American countries called for stopping the process if the European Community couldn't do any better. And they left the meeting. They not only left that meeting they sent word to their negotiators in the intellectual property meeting and the services meeting to leave the negotiations. Even though some overall Brussels high-level meetings were scheduled to go on the next day and some pro forma meetings, this effectively stopped the Brussels negotiations and ended the opportunity to reach a conclusion for the Uruguay Round on schedule in December. So the question is: Where do we go from here?

On January 15, a scheduled meeting did take place to resume the negotiations. However, it was not really a resumption of negotiations. It was more a case of taking stock of where we go from here. First reports were that it was not eventful and there was no significant sign of progress. Arthur Dunkel, director general of GATT, has been attempting a form of shuttle diplomacy between major participants to develop a compromise for an agreement but without tangible effect as far as we can see at this point.

Many people believe it is going to be difficult to resume negotiations. However, I think we're facing a number of positive aspects. One is that through Brussels the United States passed a message primarily to the European Community but to a number of others that we are not going to cave in. We are not going to agree to a Uruguay Round agreement that is not good for U.S. agriculture just for the sake of having an agreement on agriculture, or even for the sake of having and overall Uruguay Round agreement. Also, developing countries have been saying that agriculture was so important to them that if they did not get a satisfactory agreement they would walk away from the entire negotiations. A number of them showed in Brussels that they were willing to do that.

You might be thinking, if you are familiar with the GATT dynamics, why is this so critical? The major players obviously are not developing countries. They're the European Community, United States, Japan, and so on. However, if we look at the makeup of this set of negotiations, there are a number of areas such as patent rights and services where the developed countries are the ones primarily interested in agreements. But most of the problems occur in developing countries. The developing countries have said if we can't get what we need in agriculture we are not going to cooperate on services such as banking insurance and patent right concerns. That means if developing countries aren't there no reason exists for developed countries to even attempt any agreement in these other areas. Another positive aspect is that a tremendous public relations battle was waged and I think we won that. The battle took place before, during, and, most of all, after Brussels. The EC made quite an attempt to point the finger at the United States. However, I think the EC has not been able to get away from the fact that it was the intransigence of the European Community that caused the break-off of the agricultural talks and the break-off of the overall Uruguay Round negotiations. We have been generally quite pleased with the media coverage in this country and around the world. The media has understood what happened in Brussels, and the Japanese negotiators were severely criticized when they returned to Japan for not being able to play a positive role that might benefit the new economic superpower status of Japan. Since then, Japan has given us some indication it might be able to show some flexibility on the most difficult issue of access to its rice market. Korea, in its own way, has shown some small sign of flexibility toward being willing to move somewhat for the sake of an agreement on agriculture for the Uruguay Round.

Although it's too early to tell, perhaps the most interesting, positive aspect is that the European Community has developed what it calls a revolutionary package of agricultural reform. We haven't seen it. We don't know exactly what's in it but the EC will apparently present it to high-level officials this Saturday and then to the council of agricultural ministers for the European Community early next week. It does apparently provide, or talk about, some significant changes, for example, perhaps some direct support that would be less trade distorting. There are some immediate problems we see with it. It

only deals apparently with internal support and not with market access or with export subsidies. Another possibly serious problem is the European Community decisionmaking, which is quite slow. If the EC is really talking about significant agricultural reform, it's going to be time-consuming to work through its process. And time is something we do not have a lot of right now.

We are facing one real obstacle, and that is a March 1 deadline associated with the fast-track approach toward approval of the Uruguay Round negotiations. Because of the Trade Act of 1988, we have authority to agree to a Uruguary Round package in the negotiations and then after having developed the implementing legislation take it to Congress for approval within a certain period of time without amendment to any parts of it, thus the organization or the term "fast track". In other words, it would go through all the appropriate committees but no committee would be able to make any changes. Congress would look at the entire package and approve or reject it. The general thinking is that there's no chance for us to achieve a Uruguay Round agreement without the fast-track provision. But to maintain that authority, by March 1 at the latest the President must notify Congress of our intention to enter a Uruguay Round agreement and show Congress the agreement or at least a substantial part of the agreement. I think you can tell it's going to be very difficult to have this come together between mid-January and March 1. There is a possibility, according to the legislation, for an extension of the authority past March 1, 1991, for 2 years. However, that leads to certain political difficulties and political judgments, and we don't know if that would be possible at this time. Our feeling at USDA is that we can't fail at this. We can't let this opportunity go by. Too much is at stake.

Now, I want to give you a long view from an agricultural trade policy perspective on how we see where we are. The European Community developed its Common Agricultural Policy (CAP) about 30 years ago. Since then we in my agency have literally complained almost daily about this policy, tried to counter it, and all of U.S. agriculture has suffered the effects of these European Community agricultural policies. As a result of the Uruguay Round, an unprecedented situation had developed in which not just the United States but in a sense the whole world is pressuring the European Community to make changes in agriculture. This is because the whole Uruguay Round has come down to agriculture and all of agriculture has come down to demanding movement from the European Community on its policies. We almost could not have hoped for a better situation in terms of outside pressure on the European Community to change its policies. If we miss this opportunity, we don't know when or if we will have another opportunity to bring such pressure in the agriculture policy area.

Apart from that perspective, here's what we have at stake in each of the sectors. Through the 1990 Farm Bill, we have already committed to significant reduction in internal support. We would like to use the Uruguay Round to get other countries also to commit to reductions in internal support. The European Community recently has been spending more than 10 times as much as we have on agricultural export subsidies. If there is going to be significant reduction, far greater reductions must come in the European Community than in the United States. This is especially true if we can get some type of restriction on the quantity of agricultural exports that are subsidized. This would be of great benefit to U.S. agriculture. Two other areas of most interest to you are market access, and sanitary and phytosanitary measures. Concerning market access, we are not talking about the European Community and access to that market. We are talking about Far East markets, all those rapidly growing economies called the middle-income countries of the Far East. We are talking about emerging economies of Eastern Europe. Are they going to be protectionist as they develop their agricultural and trade policies? Are they going to have more open markets that will allow us to share in their growth? We are at a key time in the development of the policies in a number of these countries. That's why success in the Uruguay Round is so critical.

If we get what we are trying to achieve in the market access area, countries will not be able to prohibit imports as a political decision. Countries will not be able to use quotas to restrict imports, and finally in the sanitary and phytosanitary area, for the first time, we want to have international rules with teeth in them to discourage countries from using health concerns as a cover for protectionism.

Some say that if you take in a broader view, the whole system of multilateral trade is at stake. A failure of the Uruguay Round could mean GATT will become irrelevant. If the GATT becomes irrelevant, we will know longer have a system of world trade, free multilateral trade, and trade will evolve into a series of regional trading arrangements. We have a free trade agreement with Canada, and we are working on one with Mexico. We think these are positive developments, but look at where our markets are for U.S. agriculture. A free trade agreement, even one that would include all of the Western Hemisphere, all of Latin America, is not going to do it for us for agricultural exports. We need access to all the markets of the world. That's where our biggest markets are. We can't depend just on the Western Hemisphere.

What needs to happen is the European Community needs to say it is willing to agree on a basis for further negotiations and this basis should include specific reform in each of the four areas. The EC has got to be willing to come forth and say that is something it can do as a matter of policy. Until that happens, prospects are extremely bleak. In fact, until we hear the European Community indicate it can do that, I don't really see we are going to be able to move forward at all. Yet, I personally feel optimistic we can work out an agreement. There are many different opinions in Washington about whether there is a good chance for it to come together. Ambassador Carla Hills, U.S. trade representative, is being quoted as saying there is only a 3 in 10 chance of it coming together. But the group of us who worked on the Uruguay Round in Washington still feel optimistic and have adopted the slogan that "it ain't over until the GATT lady sings." I think I can hear her warming up in the background but she hasn't started singing yet.

I still think that we can bring this together and achieve an agricultural agreement that is going to be of tremendous benefit to U.S. agriculture.

AN AGENDA FOR THE 1990S FOR AGRICULTURAL BARGAINING COOPERATIVES

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In his 1989 keynote address to us, Randy Torgerson pointed to changes that have occurred in the agricultural industry, including the reduced level of Government intervention and consolidations among firms, that provide an opportunity for a new spirit of cooperation and for a renewed emphasis on group action.

Two years later, more than ever, we are aware of the need for bargaining cooperatives as a form of such group action. Now seems like an opportune time to discuss some specific goals and objectives to make our cooperatives more effective.

Protect Legal Authority

First, for the agenda, I suggest there be continuing efforts to protect the legal authority under which bargaining cooperatives function.

As you know, the Magna Carta for agricultural cooperatives is the Capper-Volstead Act passed in 1922. A companion act was passed shortly afterward for aquatic farming cooperatives and my reference to Capper-Volstead is intended to cover both.

The Sherman Antitrust Act, the Federal Trade Commission Act, and the Clayton Act were the cornerstones of a Federal policy outlawing price fixing and combinations in restraint of trade. The basic concept behind such legislation was that our economic system is intended to be, and can be, a free- market economy, and that what prevents it from being one is the private seizure of industrial power through price-fixing and agreements to limit production. It was, however, recognized that the individual farmer was hardly equal at the bargaining table in negotiating for the price of produce with his or her increasingly large and powerful customers. Therefore, the Capper-Volstead Act was passed in 1922 to make it clear that agricultural cooperatives that met certain qualifications were to enjoy an exemption from the antitrust acts.

Subsequent Supreme Court and other Federal court decisions held this was not an unqualified or unlimited exemption, as some had originally believed, and that it could be lost. Clearly, the mere fact that farmers enter into an agricultural cooperative for the purpose of agreeing among themselves to establish or attempt to establish prices for their produce is not per se -- by itself -- a violation of the antitrust laws under the Capper-Volstead Act.

We have learned, however, that the cooperative must be careful to include only agricultural producers as members, that it must not enter into combinations with nonexempt organizations, and that it must not engage in predatory practices. Predatory practices refer to practices used for destructive or anticompetitive purposes. Thus, courts have held that an agricultural cooperative can even achieve a monopoly, provided that it has done this through normal growth and not by destroying competition.

You may well ask why we should spend time today discussing the antitrust laws since we have now had a decade of a Federal policy of indifference toward enforcement. However, that policy may well be changed and the two Federal agencies dedicated to enforcement of antitrust laws -- the Antitrust Division of the Department of Justice and the Federal Trade Commission--frequently have challenged interpretations of Capper-Volstead favorable to agricultural cooperatives. Moreover, private parties always have the right to sue for alleged violations of the antitrust laws, and the rewards to a successful plaintiff are substantial -- three times the amount of damages awarded, plus attorney's fees-- which can be substantial.

Relatively few Supreme Court cases involve interpretation of the exemption of cooperatives under Capper-Volstead, and we must ever be watchful for challenges before the Supreme Court of favorable lower court decisions on which we rely.

We constantly have to be on the alert for efforts to amend or even eliminate the Capper-Volstead Act. In August of 1989, Senators Metzenbaum and Bradley requested that the Government Accounting Office (GAO) "examine the economic costs of retaining the protection afforded to agricultural cooperatives under the Capper-Volstead Act to assess whether such exemption should remain." While the Senators expressed concern, particularly about dairy cooperatives, they spoke in much broader terms about a study of "the impact of Capper-Volstead on consumers of agricultural products, on individual farmers, and on the economy in general . . . (and)

changes, if any, in the general nature of agricultural markets since enactment of Capper-Volstead exemptions and the validity of basic premises underlying Capper-Volstead exemptions given these changes."

The Senators agreed the study should focus specifically on milk cooperatives. The National Council of Farmer Cooperatives, through its able legal staff, and particularly Assistant General Counsel Leslie Mead, assisted USDA in preparing a position paper explaining the importance and continuing need for the Capper-Volstead Act.

GAO has recently issued a report in which it concluded that the evidence did not warrant the conclusion that there were abuses of the act, although it did recommend that USDA should initiate "active monitoring of cooperative activities" and that if it failed to do so "Congress should consider assigning regulatory responsibility for cooperative pricing activities to FTC."

As James Baarda of the ACS staff has observed in a recent article, that was only the latest in a series of studies and reports by various Government units over recent years that addressed antitrust law as applied to farmer cooperatives.

Many of these studies, including the request from the Senators, indicate a most unfortunate lack of understanding of the function of agricultural cooperatives and in particular of bargaining cooperatives. As USDA has pointed out, "A prerequisite to monopoly power is restricted market entry . . . the voluntary relationships between the member and the cooperative prevents the cooperative from imposing decisions on the member against his wish." Moreover, the market share of a cooperative, particularly a bargaining cooperative, is a much less meaningful index of market power than is a firm's share in industrial markets. Even in the rare situation where the bargaining cooperative represents 50 percent or more of the independent producers, it is still far from equal in bargaining strength with its large national processor customers, much less being in a position of dictating to them.

Thus, our agenda for the 1990s must include a vigilant watch to protect the limited exemption of cooperatives under Capper-Volstead and to make a continuing effort to better educate consumers, legislators, and the public at large concerning how bargaining cooperatives function and their role in enabling farmers to improve their ability to deal with processors and distributors. (Blackmun).

While the bargaining associations must continue to protect their hard-won rights under Capper-Volstead, farmers have a strong interest in a Federal Government policy of enforcing the antitrust laws so they may achieve the purpose for which they were intended. During what Randy Torgerson has described as "merger mania" in the past 10 years, there has been an enormous increase in the size of industrial organizations including processors of agricultural produce, with a corresponding decline in competition between customers of the bargaining cooperatives, which is to their great disadvantage.

Proprietary processors for whom the processing of fruits and vegetables was their primary concern now become merely units in huge conglomerates far removed from those who make the corporate decisions. The primary emphasis is on the bottom line and those managing the processing units are frequently under pressure to defer investment of capital to replace obsolete machinery and equipment to produce the highest possible profits immediately.

Pressure on the management of processors has been intensified where the merger has been affected by a leveraged buyout. Enormous sums have been siphoned out of operating capital through nonproductive charges by bankers, accountants, and -- need I add -- lawyers, leaving the processor saddled with heavy indebtedness that inevitably affects its policy in price negotiations with the cooperative. I suggest, therefore, that the agenda should include support for a policy of enforcement of the antitrust laws to encourage competition coupled with an explanation of why, historically, it has been public policy to exempt agricultural cooperatives.

Amend Ag Fair Practices Act

We need to secure substantial amendments to the Federal Agricultural Fair Practices Act. But first, some brief background may be appropriate.

As you know, the act was passed in 1967 largely through the efforts of Ralph Bunge, then the manager of the California Peach Canning Association.

Bunge has reported that when he took over leadership of the Cling Peach Association in 1950, there were virtually no other bargaining associations except for the Utah State Canning Cooperative. I have since discovered that there had been a canning pear association and a tomato growers' association each formed in 1917 and an abortive effort to organize the apricot growers in 1938. Apparently, the pear and tomato associations expired in the recession of 1937. Bunge undoubtedly was correct.

By the time we attended the first national bargaining conference in 1957 (I think Lee Garoyan and I may be the only ones present today who were there) at the old Edgewater Beach Hotel in Chicago, a surprising number of bargaining cooperatives had been organized and were represented. From the Northwest, associations represented freestone peaches, the Washington-Oregon Canning Pear Association, the Northwest Washington Farm Crop Association, and the Oregon-Washington Pea Growers Association; from California, the Cling Peach, Freestone Peach, Canning Pear, and Tomato Growers associations; from Michigan, associations representing asparagus growers, Great Lakes Cherry producers, and processing apple growers; from Ohio, the Cannery Growers, Inc.; from western New York, the apple growers, the Shiocton Bargaining Cooperative from Wisconsin, and, of course, the Utah State Canning Crops Association.

In this and succeeding conferences was a recurring theme -- the difficulty of organizing bargaining cooperatives when producers were frequently told by processors they would not deal with them if they were members of a bargaining cooperative.

It is significant that the roll call at succeeding conferences revealed the dissolution of some cooperatives and that others were not really engaged in bargaining but were what I would call grower trade associations.

It was obvious that the right of a bargaining cooperative to exist under Capper-Volstead was not enough. Some additional legislation was necessary to protect the right of growers to join a bargaining association free from coercion by processors.

In 1967 when the Federal Agricultural Fair Practices Act was finally adopted, it had been intended by growers to protect this right. Unfortunately, in the face of powerful opposition from the well-financed National Canners Association, substantial compromises had to be made in the language of the bill. Growers, facing the alternative of having no act at all, reluctantly accepted the compromises.

The record of enforcement of this act is revealing. In the first 10 years after its enactment, 24 complaints were filed, many by milk and poultry producers with a scattering in fruits and vegetables. There was a steady decline in the filings until after 11 years there were virtually none. Two-thirds of the complaints were dismissed by USDA for lack of evidence. In one, the USDA favored legal action against the processor but it had been unable to persuade the Department of Justice to institute suit, and under the act only Justice had that authority. In seven, the Justice Department filed suit with favorable results to the growers.

Since 1978, only two complaints are reported to have been filed. One was in 1982 by sugar beet producers. In this complaint, USDA was not able to persuade the Attorney General to file suit. The second was in 1986 by the Central Washington Farm Crops Association, in which USDA took no action because it felt there was insufficient evidence.

A damaging decision by the United States District Court occurred in 1974 involving the Lawson Milk Company, where the court held that the processor could not refuse to deal with the grower because he was a member of a cooperative but, on the other hand, it held the processor was not required to deal with the producer through the bargaining association of which he was a member. Consequently, the producer had a hard choice -- if he wanted a contract, he had to terminate or violate his membership agreement.

This case was cited by the Administrator of the Agricultural Marketing Service, responsible for administering the act in the Reagan administration, as the reason why it regarded the act as being ineffective.

Some indication of how infrequently the Agricultural Fair Practices Act was used occurred in 1979 when we filed a complaint on behalf of the Central Washington Cash Crops Association, alleging a processor had violated the act by refusing to deal with the grower member

while he remained in the association. It took several months for USDA to decide who had responsibility for enforcing the act, and then when it was turned over to Agricultural Marketing Service, the agency quickly determined factual evidence was insufficient to support the complaint and demonstrated a disturbing lack of understanding of the purpose of this remedial legislation.

In the Michigan Canners case, decided in 1986, the United States Supreme Court focused its attention primarily on the provision in the Michigan State Fair Practices Act that required nonmembers of an accredited bargaining association to be bound by the decision of the association and to pay dues, even though they were not members. This it felt, in effect, required nonmembers to be members and was in conflict with the Federal act. The court held that the Federal act pre-empted—was superior to—the State act which was therefore illegal. The court relied on a provision in the Federal act that provided "the provisions of this chapter shall not be construed to change or modify existing State law." Unfortunately, the only State fair practices act existing at that time was the California Fair Practices Act. This provision, therefore, presents a potential threat to subsequent State legislation, but including States that have established unfair trade practices in addition to those established by the Federal Act.

Fortunately, one recent encouraging development indicates the Federal act is not entirely a dead letter. In 1989, the United States on behalf of the Secretary of Agriculture and grower-members of the Northeast Florida Broiler Growers Association filed complaints against Cargill, Inc., a live poultry dealer, alleging violations of the Packers and Stockyards Act of 1921, as amended, the Federal Agricultural Fair Practices Act, and the antiracketeering provisions of the Federal Racketeer Influenced and Corrupt Organizations Act (RICO). The defendant was charged with misrepresentations to growers concerning the commissions to which they were entitled and also termination of Cargill's growing contract with the president of the association because of his affiliation with and active leadership in the association and his efforts to secure redress of his and other members' grievances.

The court found violations of all three acts and entered a sweeping permanent injunction ordering Cargill to reinstate its poultry-growing relationship with the association president and enjoining further discriminatory practices. This is the first case in many years in which a Federal court has applied the Agricultural Fair Practices Act to coercive and discriminatory conduct of a handler because of a grower's membership in a bargaining association.

Lest we become euphoric about this decision, we should bear in mind that the court also found serious violations of the Packers and the Stockyards Act and RICO and the fact that all three acts were involved may have been a factor in the decision of the U.S. Department of Justice to prosecute the case. Moreover, this decision does not undo the damage done by the disclaimer clause relied upon by the U.S. District Court in Lawson Milk, which provides, "nothing in this chapter shall require a handler to deal with an association of producers."

Our agenda for the 1990s -- the earlier the better -- therefore should include serious consideration of the following amendments to the Agricultural Federal Fair Practices Act:

1. Delete the nefarious disclaimer clause.

2. Add a provision that broadens the present prohibition against inducing a producer to refuse to belong, or cease to belong, to a bargaining association by prohibiting inducements to producers to *breach* their membership agreement. Frequently, it is difficult, if not impossible, to get evidence to prove a producer was induced to terminate or not to join an association. But, it should be easier to establish that a processor has offered a contract to a member of an association even though it has not been approved by his association, which forces the grower, as in the Lawson Milk case, to choose between violating his membership agreement and obtaining a home for his produce.

3. Give broader authority to each State to enact fair practices legislation by amending the present pre-emptive language relied on by the Supreme Court in the Michigan Canners case to read: "Nothing in this chapter shall preclude or deny any right of any State to adopt or enforce any statute, regulation or requirement establish-

ing any unfair trade practice in addition to those established under this act."

4. Expand the authority of USDA in administering the act to empower the Secretary of Agriculture to assess penalties for violations and to issue cease and desist orders if it finds violations have occurred. This would both provide penalties for violations of the act and eliminate the necessity for the Secretary of Agriculture to have to proceed only through the Department of Justice.

5. Make it clear that the act applies to aquaculture such as catfish producers.

6. Provide a check-off for dues, fees, or retains for an association on proper authorization to a handler by the member of the association. Such a statute exists in a number of States, and there is no reason why such a provision should not exist for the benefit of bargaining associations in all States.

7. Require handlers and bargaining associations to bargain in good faith. California, Maine, Michigan, and Washington have statutes requiring this, and experience has shown it has vastly improved negotiations between bargaining associations and their customers. This should be extended to all 50 States.

8. Provide for resolution of impasse in negotiations by permitting the Secretary of Agriculture to order conciliation through the American Arbitration Association between parties if he or she believes it will materially assist the parties in negotiating an agreement. Experience with this type of provision in California, where it has recently been adopted, has indicated it can be effective without expanding the personnel of the Department of Agriculture, since the American Arbitration Association is a nonprofit independent association.

9. Create an advisory committee such as we have in California, composed of an equal number of representatives of bargaining cooperatives and processors to review the operation of the act and make recommendations to the Secretary of Agriculture. This provides an ongoing vehicle for communication between processors and bargaining cooperatives, which experience has shown to result in creating more constructive relations between the parties.

You will find a more comprehensive discussion of problems with the Federal act in an excellent article written recently by Don Frederick.

I would like to add a note of caution about what may be accomplished by fair practices legislation.

A cooperative seeking the protection of such legislation must have the support and cooperation of its members.

If a complaint is filed alleging coercion or discrimination by a processor against grower-members of the association, those members must be prepared to testify if the complaint is to be successful.

If grower members permit their produce to remain under a contract with a processor under an "evergreen open price contract," they must understand that their cooperative has no effective bargaining power for that produce. The only remedy that will enable a cooperative to bargain effectively for those growers is to have them terminate such contracts or have the processor agree the price is to be determined in negotiations with the cooperative. Otherwise, they are members in name only.

If a complaint in filed by an association, the growers must anticipate it will be contested vigorously by the processor, which will require the cooperative to incur substantial expense.

Finally, the cooperative leadership must be on the watch for devices employed by some processors to frustrate the obligation to bargain in good faith. Such devices may include the formation of captive processing cooperatives controlled by the proprietary processor. They may include an elaborate plan for the grower to lease his land to the processor and receive compensation in the form of rent and wages for management that in total will undercut the price objectives of the association. The unfortunate plight of poultry producers amply illustrates how producers can become so completely dominated by their processors that they are unable to protect themselves.

Amend 1937 Marketing Agreement Act

Third, I hope that at long last we can see that the Federal Marketing Agreement Act of

1937, as amended, is further amended to include all fruits and vegetables for processing, instead of the few presently included.

As you know, this is enabling legislation. It simply means that if the Secretary of Agriculture decides to submit a proposed marketing order for a given commodity to its producers, and the necessary producers in number and volume approve, then a marketing order for that commodity may be issued.

The Secretary of Agriculture has broad discretion as to what a proposed marketing order may contain, and, of course, approval by producers is necessary. Moreover, under the law, any marketing order once adopted can be voted out.

I am aware there is strong opposition in many quarters, including some of our bargaining cooperative leaders, to volume controls. However, a marketing order for a commodity produced for processing can be an effective tool for third-party grading, research, and trade promotion, quite apart from containing provisions for volume controls. Other advantages to a marketing order are collection of industry statistical information of value to producers and processors, promoting better communication between producers and processors, and helping to develop leadership among growers.

There is no logical reason why -- with all the safeguards that exist in the law -- producers of all fruits and vegetables for processing should not have the opportunity to secure a marketing order.

While speaking of legislative action involving matters of concern to the bargaining cooperatives, we should profit by the lessons some of us in the Pacific Coast pear associations learned some years ago in our effort to secure an amendment to the Federal Marketing Agreement Act to include processing pears.

The bill was approved by the House Subcommittee on Agriculture and the House Agriculture Committee and reached the floor in short order where it was defeated by a substantial majority. An analysis of the roll call vote showed that while a majority of the Democrats, including Tom Foley, Leon Panetta, and Bernard Sisk, had supported the bill, the Republicans turned it down by a margin of 10 to 1. We learned the lesson that such legislation had to avoid the appearance of being partisan and it had to have the support from Congressmen from both parties who were prominently identified as having agricultural constituents.

We learned, also, that we had to have the support of all national agricultural organizations -- this included not only the American Farm Bureau and the National Council for Farmer Cooperatives, but also the National Farmers Union, National Farmers Organization, and National Grange, each of which has significant constituencies.

We learned, also, that we had to have our growers keep in contact with certain key Members of Congress, particularly those who were on the Agriculture Committee.

Five years later, after many trips to Washington, lobbying in the halls of Congress, at substantial expense to the pear associations, and after having learned each of these lessons, we finally had the satisfaction of watching the House pass this bill by a substantial margin.

Fortunately, we had strong support from the Pacific Coast Senators on both sides of the aisle and our bill, once passed by the House, breezed through the Senate and shortly afterward was signed by President Nixon.

In addition to legislative action, there are other matters of importance that should be added to our agenda:

Organize More Cooperatives

First, it is extremely important that we help organize bargaining cooperatives in commodities where none now exists.

More bargaining cooperatives and a greater number of producers will broaden the base for political action when matters of concern to bargaining cooperatives arise.

Good evidence exists that a substantial potential is present for developing new bargaining cooperatives in many other commodities. Walnut growers in California have recently established a steering committee, employed a consultant, and appear well on their way to organizing. Some of us understand also that almond growers are in the process of attempting to organize. All of us are aware of the sorry plight of the poultry producers who are in desperate need of effective bargaining cooperatives, and I understand the same may soon be true for hog producers.

The dramatic success story of the catfish producers cooperative makes us aware of the increase in aquatic farming and the potential for organization there.

Formalize the Conference

Second, I suggest that bargaining cooperatives can better provide such support and increase their political effectiveness by formalizing the structure of the National Bargaining Conference. The conference should, of course, continue as it has for the past 34 years with the assistance of Agricultural Cooperative Service. But we could formalize this structure into a formal national association of bargaining cooperatives with some modest financial support from members to enable the organization to have secretarial assistance, its own letterhead showing the affiliated associations, and at the very least to be able to find personnel available to provide assistance to the officers who are normally absorbed with problems of their own associations.

Of course, the American Farm Bureau is available to assist as well as the National Council of Farmer Cooperatives. While bargaining cooperatives have problems in common with other types of cooperatives, some problems of bargaining cooperatives are peculiar to them and it would be helpful if they had their own voice.

Increase ACS Budget

Finally, we should make a determined effort to persuade the Secretary of Agriculture to increase the budget for Agricultural Cooperative Service (ACS) so it can provide additional services to those who have been so invaluable to the bargaining cooperative movement.

It would be highly desirable to have administration of the Agricultural Fair Practices Act turned over to ACS. This is the one agency within the U.S. Department of Agriculture that is most familiar with the agricultural cooperative movement, and the experience of the administration of the act in the past decade illustrates how important it is for there to be continuity in the personnel who are administering the act and who are familiar with the reasons why this remedial legislation was enacted.

Increasing the ACS budget could enable the agency to render more services to bargaining cooperatives. For example, it might be able to undertake videotaping certain important programs, or specially developed programs, that could be made available for distribution to existing bargaining cooperatives and to those who are considering commencing one. For the latter, I could envision a program devoted to how to organize a bargaining cooperative, which might be useful to a steering committee or a small group undertaking this challenge. As for the existing bargaining cooperatives, it is a fact that the expense of attending these conferences is substantial and some associations have just a few representatives attending and some none at all. This means members of the board of directors or others must get information through oral reports or copies of speeches and articles. Perhaps a select number of panel discussions or speeches could be made available through videotape to associations for use at board, committee, district, or annual meetings.

I feel confident that with a larger budget and his fertile imagination, Randy Torgerson will think of many more ways in which invaluable assistance can be given to enhance our movement.

These, then, are just a few suggested specifics for action by our bargaining cooperatives in the 1990s. Of course, as changes in the structure of the agricultural industry occur, we must be prepared to adjust to them through group action if the individual farm producer is to survive.

GAO REPORT ON CAPPER-VOLSTEAD STUDY

Leslie Meade
Vice President
National Council of Farmer Cooperatives

In August 1989, Senators Howard Metzenbaum of Ohio and Bill Bradley of New Jersey requested the General Accounting Office (GAO) to study the impact of the Capper-Volstead Act of 1922 on consumers of agricultural products, individual farmers, and the economy in general.

Specifically, the letter requested that GAO -- the investigative arm of Congress -- look into the following issues:

—Whether changes had occurred in the general nature of agricultural markets since enactment of the Capper-Volstead exemption, and the validity of the basic premise underlying the exemption given those changes;

—Whether an economic cost exists to consumers and the Government of maintaining the Capper-Volstead exemption for dairy cooperatives;

—Whether Federal marketing orders affect prices paid by consumers of dairy products;

—Whether a correlation exists between over-order premiums and the presence of large dairy cooperatives with high market shares; and

—The history of USDA's oversight of the Capper-Volstead exemption and suggestions for improving the effectiveness of that oversight.

In September 1990, GAO issued a report entitled "Dairy Cooperatives: Role and Effects of the Capper-Volstead Antitrust Exemption." The focus of the report was the dairy industry. The report contained no original empirical analysis, but relied instead on data from previous GAO reports and other published empirical studies. The report concluded:

—The premise for the Capper-Volstead Act is as valid today as in 1922. Farmers continue to be small in size compared to processors and buyers.

—No basis for a definitive conclusion exists concerning the effect of Capper-Volstead on either consumer prices or Government costs.

—USDA's oversight has changed little since GAO's 1979 report, which recommended more active monitoring of cooperative pricing activities. To that extent, GAO recommends that if USDA does not increase its oversight, the Federal Trade Commission should be given oversight powers.

While the focus of GAO's report is the dairy industry, its acknowledgment of the relevance of the Capper-Volstead Act is helpful to cooperatives generally. Further, the finding that there is no evidence of undue price enhancement blunts the criticism that USDA should be more actively involved in monitoring cooperative prices.

USDA has considered GAO's suggestion for increasing its monitoring of cooperative pricing. Currently, USDA carries out enforcement authority through investigating complaints of undue price enhancement. As a result of the GAO report, USDA considered several options for changing its monitoring system, including instituting a committee to carry out monitoring responsibilities on a part-time basis, the establishment of a separate unit to monitor prices or handing over enforcement responsibility to the FTC. USDA concluded it would continue oversight at its current level.

The USDA Capper-Volstead Committee will continue to meet to identify cases of undue price enhancement and respond to complaints. USDA also plans to better inform the public of its avenues for redress regarding undue price enhancement. A notice in the *Federal Register* will be published on the process for acting on complaints. In addition, USDA will periodically review available data to determine whether evidence indicates the exercise of market power through elevated prices.

LABOR POOL ISSUES AND PROBLEMS: Follow Regulations, or You're in Trouble

J. William Carter
Chief Patrol Agent
United States Border Patrol, Livermore Sector

The United States Border Patrol does have something to do with the labor pool. And the Immigration Reform Control Act (IRCA) of 1986 has had a tremendous impact on what happens in the agricultural industry.

In November 1986, President Reagan signed into law the Immigration Reform Control Act. It is a two-pronged approach to enforcing immigration laws. Amnesty is one and the sanctions provision is the other. The United States Border Patrol played a small role concerning the amnesty provision. We did go out and educate. However, our primary responsibility was after June 1987 when the sanctions provision of the bill went into effect.

A lot of changes have occurred in the regulations since passage of the Immigration Reform Control Act of 1986. I'll leave with you a copy of an article in the Federal Register for June 25, 1990, that discusses ACFR parts 103 and 274a, which are the powers and duties of services with respect to the Immigration Reform Control Act and changes in some of the regulations. I suggest you review this document and if there are any questions then contact the Immigration Naturalization Service. Some of the changes that have taken place or are pending revise Form I-9. We are also changing the employer's handbook to cover what changes have been proposed and what changes are going to be made. With respect to the I-9, the employer must now complete the I-9 at the time of hire rather than before the end of the first working day. For those employees who were hired for fewer than 3 business days, employers may no longer accept receipts in lieu of actual documents. Employees must submit acceptable documents at the time of hire.

A tremendous concern to me is that people are under the assumption that the only people who have illegally entered the United States are Mexican or brown skin people. That is not the case. In my area of responsibility, which is 51 of the 58 counties in California from the Los Angeles County line to the Oregon border and 13 counties in northern Nevada, this past fiscal year we apprehended individuals from 97 different countries. I mentioned this because there is a tremendous problem with discrimination. Some individuals assume because you are brown skinned or because you are Mexican from Central or South America that you are illegal. But that is not necessarily the case. INS is heading up an antidiscrimination campaign to alert employers to the repercussions of discriminatory hiring practices. Again, I suggest you contact INS for further information on this.

I am at a disadvantage with those of you representing other States because I can only assume the chief patrol agent for other sectors throughout the United States--and there are 21 of us--operate similarly. We take into consideration all of the factors with respect to imposing a fine against an employer. A lot of people assume the Border Patrol is out for one purpose with respect to sanctions and that is to impose fines. That's not the case. We are there to ensure compliance. If the only way we can ensure compliance is to impose a fine, then that's what we are going to do. However, every fine in my area of responsibility is reviewed by the case agent, by sector counsel, and then by myself with recommendations from all those people on what the fine amount should be. Ultimately, I decide the fine, if in fact it will be a fine rather than a warning letter. And we hope the result is a letter of compliance.

In the Western Region, made up of California, Hawaii, Arizona, Guam, and Puerto Rico, since June 1987, 1,500 fines have been imposed against industry. Those of you from Fresno might recognize the particular case back in 1988 when we had people in the agricultural industry who assumed we weren't serious about imposing fines against employers of illegal aliens, or people who did not have the I-9 filled out according to regulations, or had no I-9's at all. These were paper work violations, and we in Livermore did impose a fine in excess of $155,000.

Beginning in October of this new fiscal year, compliance seems to be the name of the game. I think we served only three fines since October 1 and some warning letters asking people to get into compliance for minor violations. A lot of compliance letters have come in because I think the message has been received.

The United States Border Patrol wants to work with all of you regardless of the industry, whether it's agriculture, a service industry, a hotel-motel industry, construction, or landscap-

ing. In my area of responsibility, no fine will be served regardless of how severe the violation if the employer has not been educated. I am speaking for my area of responsibility, and not the entire immigration service. It is incumbent on us to make sure employers know what the Immigration Reform and Control Act of 1986 is all about. If we have failed to do that, it will be a bitter pill to swallow but you will get a warning letter explaining the violations and no fine will be served. I am always available. I have an assistant chief patrol agent whose only responsibility is the Immigration Reform and Control Act and the sanction provisions of that bill. We have a subject matter expert at all eight stations throughout my area of responsibility to answer questions with respect to sanctions.

Yes, we do have a tremendous impact on the labor pool and we will continue to have an impact. We are apprehending in excess of 1 million illegal aliens per year. The San Diego Border Patrol sector in just December 1989 apprehended in excess of 100,000 illegal aliens. We average about 3,000 per month in my area of responsibility simply because of the fewer number of agents who work that area.

I can't tell you a lot about labor and how many people are going to be available to you in the agricultural industry but I can assure you the Border Patrol is available 24 hours a day to answer any questions about documentation that anyone presents to you. The key to this sanction issue is "knowingly hire." If you knowingly hire illegal aliens, you are in a lot of trouble. Fraud is rampant now simply because of the Immigration Reform and Control Act of 1986. Documents are available on nearly every street corner in every city of America, making it difficult on the employer. That's why very few "knowingly hire" cases are made. The majority of cases made are I-9 paperwork violations.

Lupe Gamboa
Directing Attorney,
Evergreen Legal Services

I feel like the proverbial lamb in the lion's den at this conference. Often, the only time I get to talk to employers is in a confrontation setting--negotiating, or in a court room. So, I am happy to talk to you in a cooperative type of setting about the important issue of farm workers.

My views are going to be pro farm worker. One's background is shaped by experiences in life. I come from a farm-worker family. I grew up in California and remember traveling in the back of a flat bed truck from the Rio Grande Valley to the Yakima Valley in Washington to work in asparagus fields. I was too young but my family worked in asparagus. Then we would go to the Willamette Valley in Oregon to pick pole beans and to the San Joaquin Valley in California to pick cotton. That was a long time ago, because there is no more cotton picking. I remember living in substandard housing. I remember working for low wages doing hard stoop labor. I remember the remarks of my father and family who would complain they were treated more like farm implements than like human beings doing farm work. That has been my experience in life and that shaped my views on this subject of farm workers.

I am going to discuss two basic things: (1) my impression on the adequacy of the labor supply and (2) ideas on how to improve the relationship between employer and farm workers that will maintain a reliable and dependable labor supply. My perspective is Washington State. I know little about what's going on in California or Oregon. I understand some people are here from Ontario, Canada. I worked that province when I was working with the farm workers' union in the grape and lettuce boycott back in the early 1970s, but I don't know much about the farm worker situation there. Washington State has had an adequate supply of farm workers since the early 1970s. At the time, most of the farm workers came from the Southwest—Texas. They would come to work on the crops and go back. Most of the workers were either citizens or resident aliens. In the mid-1970s, a large number of people started coming in from Mexico as undocumented workers. A lot of them settled in the area and worked as undocumented workers for a long time. They were always fearful of the Border Patrol, which was very active at that time. That atmosphere affected how dependable they were because a lot of them could lose their jobs at any time.

Passage of the Immigration Reform Control Act (IRCA) in 1986 was expected to lower the supply of workers, improve living conditions, and increase wages of workers. But it hasn't really happened in this area. Instead, more workers are here now and the general impression in the farm worker community is that wages have not gone up and in many cases have gone down. The reason for the oversupply of workers is that the thousands of workers previously working undocumented have now become legalized and they can work without fear of being deported. A great number of workers in this area, about 26,000, applied under the new registration provisions of IRCA. These workers are now settled, or either they have temporary residence cards or are in the process of getting temporary cards, and have become part of the labor force. In addition, the influx of undocumented workers has continued almost unabated from Mexico. So now we have the ones who were undocumented and are settled with another large group competing for the same jobs. This is creating tension within the farm-worker community.

I remember vividly in 1987 when there was a huge surplus of apple workers here. One farm worker came to my office to show me his work authorization card and that he was legal but couldn't get a job because of other undocumented workers. How quickly things change. Workers who were undocumented a few months before were now complaining about other workers coming and taking their jobs. That's happening. IRCA has been ineffective in this area because of two things: (1) IRCA depended on its enforcement documentation and employer sanctions. The documentation part has been easy to get around. A lucrative black market exists in false temporary residence cards and false Social Security cards. Employer sanctions haven't worked because the provision in IRCA is that an employer can't get convicted unless he knowingly hires an undocumented worker. If the worker shows up with false documents, all the employer has to do is point out that he had documents.

Unlike in California, the Border Parol has been less active in central Washington and employer sanctions have been almost nonexistent. I know of only two situations in Washington

involving agricultural employers, one in the Othello area and one in the Yakima Valley.

If IRCA were enforced, a labor supply problem would develop. Otherwise, I don't foresee labor shortages in the 1990s.

Numbers of undocumented workers vary according to the crop work force. In asparagus, for example, a large percent of the workers are still coming from Texas and are still legal residents or citizens. But in tree crops, apples for example, 40 to 50 percent of the workers are estimated to be undocumented workers with false documents.

Whether there is a shortage or large supply of workers, it is still to the benefit of employers to have a stable and dependable work force. When you have workers who come year after year, they do the job according to how you want it done. Most farm work is learned by on-the-job training. If you have a worker you've taught how to do the job properly, it is valuable to both employer and worker to have that relationship develop and keep going. The employer gets dependable workers and the employee gets secure work opportunities. A lot of the jobs are on a piece-rate basis, so the knowledgeable worker can make more money. A lot of farm work is skilled. It takes years to learn how to prune trees properly. Asparagus is a skilled occupation. You have to know what type of asparagus to cut, what makes the grade, and what doesn't.

The question is: how do you keep trained workers coming back? It is a difficult question to answer but one obvious answer is that if you want to have workers coming back, they have to want to come back and they have to be happy. They have to fulfill their basic necessities, which are a living wage and decent housing conditions. Unfortunately, I don't think this is happening. I just read a report from the California Institute of Rural Studies "Too Many Farm Workers in California, the Evidence from Wage Trends." Using data from the the Department of Agriculture from 1981 to 1988, they concluded that the real wage in 1981 of $5.92 per hour had fallen in 1988 to $5.43 per hour computed at the buying power of the 1988 wage, a decrease of 8.3 percent. I am hearing from farm workers in the area that the same thing is happening. The old supply and demand rule dictates that when there are more workers wages go down.

Farm workers are human beings just like anybody else. They need to educate their children, feed them, shelter them, and they need sufficient wages. A equally important aspect is that the worker needs to be treated with dignity and respect like anybody else. A lot of employers recognize this need but others don't. This isn't just the case in agriculture; it happens in many industries.

In my farm worker division office, we hear a lot of farmer cases that shouldn't be happening. Workers, for example, are promised one wage and then when the employer finds out how fast they are pruning, the wage is lowered, or they aren't told how much they will be earning until after the employer finds out how fast they prune. Then the wage rate is picked so they earn just above the minimum wage. Many stories are about abuses by foremen. We have foremen who in the Yakima Valley are charging workers for jobs. We recently had a case where a foreman was demanding sexual favors from women employees. Again, it's not unique to agriculture but it is happening. A lot of cases involve employees claiming they were fired unjustly, which we can't do anything about because it is not a legal issue, but it shouldn't be happening. In a lot cases, workers say it is not the employer's fault but rather it is the foreman's. He is portrayed as a little god and they never see the employer. In some cases after we called the employer, we have been able to resolve the issue. So it is imperative that employers become involved in knowing their workers and the labor management aspect of their situation and deal with some of these problems that shouldn't be happening.

Employers have to comply with the law. I know a lot of you don't like the Agricultural Worker Protection Act but is is a law. And some of the provisions would be effective in terms of requiring that you set out the working conditions in advance. It's beneficial to both employer and workers to know ahead of time what is expected of each other. That would be a great help in resolving some of the problems that come up.

Another issue is dealing with workers, either when they get together by themselves and raise complaints or when they try to organize unions or associations. You're involved in bargaining associations so you can deal with the buyers of your produce. Well, workers have to

have the same type of protection. An unequal situation exists when one side is organized and has power and the other side is disorganized and doesn't have power. That right has to be respected by agricultural employers. A lot of issues involving farm workers is nonmonetary. If a worker is treated well, he is going to want to come back year after year and that's going to benefit both employer and employee. Let me just leave you with a quotation from a famous Mexican president, the first president of Mexico with an Indian background, who said: "Respect for another person's rights is peace or creates peace." Farm workers are asking to be treated with respect and dignity. If that is done and people strive to work, it is going to be for the betterment of both farm workers and employers.

LABOR POOL ISSUES AND PROBLEMS: Wages, Recruitment, Working Conditions

Robert Shuler
Attorney
Seyfarth, Shaw, Fainweather

I agree with what has been said concerning labor availability. A surplus or an adequate supply of labor exists, and I draw that from various trade journals and reports from the Economic Development Department in California. That's a function of seasonal agricultural workers in place and workers here illegally and carrying fraudulently documents. Reports and other statements indicate that in some crops an estimated 40 to 50 percent of our employees are carrying fraudulent documents. In California, 700,000 seasonal agricultural worker applications were filed out of an estimated 250,000 jobs, so something doesn't quite add up.

On the other hand, a real possibility exists of a shortage of employees at some point in the future. I offer no hard data rather just thoughts and ideas and other information I have gathered that may lead to a shortage situation. For example, what's the impact of the freeze in California? I have heard a number of 15,000 jobs lost. Some of those may be permanent jobs. The question is whether those people will leave the country or will they come back. Will there be a shortage from that incident. To a large degree, the flow of labor coming north is a function of the Central American and Mexican economies. To some degree, that's dependent on the U.S. economy. As the U.S. economy improves and if the Mexican and Central American economies improve, will we see more folks staying at home and thus producing a shortage of labor? Whether they're legal or illegal just for the moment of availability, will they come north? I don't know. I do expect enforcement of the Immigration Reform and Control Act (IRCA). That will have an impact on our labor availability. In November, there was an increase in sanctions, penalties, or the fines available against employees for taking fraudulent documents.

In addition, the replacement agricultural worker program that was part of IRCA expires in 1993, and so far no surplus has been certified and no replacement agricultural workers have come in under those programs. When that program expires, we will have to either rely on the H2 program or look to Congress again for labor availability. And Congress will want to know what we as agricultural employers have done in the interim to ensure an adequate labor supply.

That leads me to discuss what agricultural employers can do to ensure an adequate labor supply. You need to look at three areas of concern. You need to look at wages being paid, recruitment efforts undertaken, and overall working condition of agricultural employees. Turning to wages, most of my information is based in California, so you will need to adjust it for your particular area. In California, wages have risen somewhat since IRCA went into effect. But I am not sure whether that's a function of the labor supply or a function of the increase in minimum wage that in California went to $4.25 on July 1, 1988. It is probably accurate to say that wages haven't risen as high as they would have without the present labor supply/demand situation. Let me give you some examples. California Tomato Growers magazine carried a USDA report regarding wages. During the week of July 8-14, 1990, there were 191 direct hires of California agricultural employees, that's direct versus those who were hired by labor contract. The average wage paid to those individuals was $6.18 an hour. That was down from $6.42 an hour for the previous year. Field workers received $4.68 an hour and that was down from $5.90 the previous year. Average hour per week worked was 45.4, up from 44.0 hours the previous year.

I have some other figures for contractor employees that I want to put a proviso on. The article indicated that statistically the information is no different from direct hire employees. There were 67,000 employees hired by labor contractors during the one week period that I just mentioned. The average wage paid was $5.82 compared with the previous year's $5.80. The field workers' rate was $5.49, down from the previous year's $5.56. The average hours worked per week was 37.4, down from the previous year's 40.3. I provide those to you only for comparison purposes to give you an idea of where we in California are relative to our wages and the hours that employees are working.

In recruitment, what are we doing in that area? I don't personally have that kind of information, although from talking to people I know active recruiting efforts have been going on. Turning to the third area of concern, working conditions, let me quote some statistics put together in a 1990 report based on 1989 figures from the California Economic Development

Department (EDD). Figures are based on information gathered in the summer of 1989 in Fresno, Kern, Madera, and Talare counties. For those of you who are not from California, that's the center part of the central valley of California near Fresno. This is a typical agricultural worker profile of people surveyed. About 3 out of every 10 workers are women. Fifty percent of the work force in grapes, nuts, vegetables, and melons are female. The average age of the worker is 34.9 years; 87 percent are from Mexico; 60 percent are married; and average length of education is 6 years. Interestingly, 80 percent had fathers who performed similar work as farm laborer.

Concerning work and working conditions, the survey showed that on the average in the summer of 1989 farm workers reported working in at least two different crops. The least diversity was in grapes and the most diversity was in vegetables and melons, with employees reporting they were working between four and five different crops every summer. Grape and raisin workers tended to be the most specialized among farm workers, limiting their employment almost exclusively to grapes and raisin. Also interesting, 60 percent of those sampled reported they worked for the same employer the previous year, but by commodity citrus worker reported the highest rate of return, 78 percent, with raisin workers reporting the lowest, 10.5 percent.

In the area of wages and compensation, 84 percent reported that at least some time during the year they were unemployed. Hourly compensation for harvesting varied from crop to crop, ranging from $4.50 an hour for tree fruit workers to $5.10 an hour for grape workers.

Significantly, 30 percent reported having no health insurance, 41 percent had some, but only 25 percent reported that their health insurance was also available to their immediate family. Forty-nine percent reported they had to buy their own tools. Eighty-five percent of raisin workers had to buy their own tools; grape workers, 71 percent, and citrus workers, only 8 percent.

Seventy-eight percent of these employees had to rely on others for rides to work and 64 percent had to pay for those rides at the average cost of about $3 a day.

Another interesting figure related to housing. Eighty-five percent rented homes, apartments, or mobile homes; 9.3 percent reported living in labor camps; and 4.7 percent in either their car or outdoors during the labor season.

But despite all that information, 88 percent responded that they would continue in farm work as their occupation.

When asked to identify their most serious problems, 33 percent reported concerns about pesticides; 23 percent, low wages; 8 percent, work hazards; and 4 percent, abusive labor contractors.

One of my concerns is that the use of labor contractors seems to be on the increase and, depending upon the quality of the labor contractor, removes the grower from direct involvement with the employee, which leads to a breakdown of the relationship between those two parties. The fear I have is that it may be leading to complacency on behalf of agriculture relative to its labor supply, wages, and working conditions for employees. If that occurs, then we will have difficulty getting an adequate labor supply. Agricultural employers need to be continually reassessing the needs of employees in the three areas of wages, recruitment, and working conditions.

We need to look at these concerns of employees just as we would be concerned about them for ourselves. They include affordable and comfortable housing, affordable and safe transportation to and from work, available health care, and available child care. I am not saying we need to provide those things. I am saying we need to be concerned about availability of them for employees.

Finally, how do we stay out of trouble with the authorities? That is one of the easier things to do, frankly. First, identify as best as you can who the authorities are—the INS, Border Patrol, Department of Labor, and various State agencies. Then you need to identify an accurate and reliable source of information about laws, regulations, and how you can comply with them. As employers, several resources are available to you. You have the associations you belong to that do this sort of thing. They provide you that kind of information. You perhaps have attorneys who can do the same thing, or you turn to the authorities. The same thing is true in other agencies you have to deal with. If you identify who they are, usually people are in these agencies that you can reach to determine how you have to comply.

Finally, I agree with Lupe Gamboa, that the way to stay out of trouble with the authorities is to treat your employees with proper respect. It is my experience from having dealt with these authorities that most of the problems developed from a complaint by an employee. It is not the authority looking for things to do. So if you can take care of, or offer to take care of, concerns at home, you won't have the authority knocking on your door. In conclusion, for agricultural employers to be assured of an adequate labor supply, they need to be proactive and aggressive in their own competitive wage rate. You should be active in your industry associations to avoid becoming complacent about labor. Make sure that the flow of information you have and the concerns you have go through that association to the various government officials and regulators. We all need to ensure that your association provides the information so you can comply with the regulations.

BARGAINING ASSOCIATION REPORTS

James Frayer
Atlantic Dairy Cooperative

Many of you are aware we had a big market order hearing this past year in dairy, an unfortunate spectacle really, because it involved producers going after one another. Maybe that's why the dairy people aren't at this conference. They're too busy bargaining with each other.

We had a big Federal order issue with involvement in that hearing from the Antitrust Division of the Department of Justice, which was a little strange to some of us because the Department of Justice was at the same time defending the marketing order program in an action in Minneapolis.

Since no one is at this conference from dairy, I'll confine my remarks to dairy in general. It has been a topsy turvy year in dairy and despite some negatives, overall, there were some positive things, and the biggest was producer prices. Prices in 1990 will be about 4 percent over a year earlier. Supplies will be up about 3 percent. Commercial use will be up nearly 3 percent. But the averages this year really didn't tell the story in dairy, because it was such a wild swing within the year. We're going to end the year with production running about 5 percent over a year earlier, and sales flat. And for those of you involved in bargaining, supply and demand is the biggest thing you have to deal with and that's been the story of dairy bargaining. Demand was strong in the first half when the trade was really buying heavily to build inventories to avoid the shortage situation the past couple years. But a collapse in the market in the second half with inventories overbuilt by about 100 million pounds each for butter, powder, and cheese resulted in prices dropping about 25 to 30 percent relative to where they were 1 year ago. So it has really been an up and down year.

For the coming year, we're looking at production up again about 3 percent. Sales probably will lag that a little bit, but the big story from the producer side is prices, and we're looking for average prices to be down about 15 percent. Those of you in a lot of the specialty commodities are probably used to that kind of market volatility. We aren't in dairy. We're still way down on the free market learning curve. We've got a lot of learning to do. The business certainly is a lot less stable than it was, with a lot more risk associated with all facets of the business. We're looking at less Government involvement, due to the deficit pressure and a deregulation environment, and, as Randy noted for the first time ever that the 1990 Farm Bill capped total dairy program expenditures, and producers are now going to be assessed to cover excess dairy program costs. In that environment as we look ahead, we're going to see a need for continued strong cooperative involvement as we go to the marketplace to bargain for the dollars that are going to be needed to supply a growing market. In our operation, we actually bargained on about 90 percent of our volume, but we do have an operating plant to handle the overflow of supply, about 10 percent of our production.

Rich Hudgins
California Canning Peach Association

Obviously, 1990 was a good year for peach growers. If there was a word in 1990 for cling peaches, that word was quality. Growers delivered nearly 495,000 tons at an average offgrade of only 5.8 percent. That's the lowest offgrade in at least the past 20 years for cling peaches. We generated a yield of 17.8 tons per acre. That's about a 3.8 percent increase over last year.

We concluded a price agreement with processors providing a sliding scale based on tonnage, with a low of $214 per ton and a high of $224 per ton. We will end up with $218, the same price as last year. So when you couple higher yields with lower offgrades and the same prices as last year, the result is more dollars per acre. And the cling juice delivery program we've been involved in for the past several years allows growers to be paid for offgrade fruits that canners can't use in sales to other outlets.

We moved some fruit to a couple of canners in Mexico. At one of the operations that was processing juice fruit for baby food use, Gerber actually received juice tonnage in California. Gerber actually pitted, peeled, and pureed the fruit in California, loaded the peach product into a tanker, and shipped it back to plants in Arkansas and Freemont, MI, for final processing. The juice program this year generated in excess of $1million to the 200 growers who participated in it

through the association.

In Freestones, we were the beneficiary of the shortest U.S. Freestone crop in at least the past 15 years. California fresh market prices were strong. That allowed us to get increasing prices for the frozen side, about 70 percent of the processed freestone peaches. Freestone prices were $182 per ton for gems. That was up $17 a ton--Alberta, a much smaller percent of the total frozen market, was up $10 a ton at $160 a ton. On the canning side, about 17 percent of processing, the price was $165 a ton, up $9 a ton over last year. Finally, the dried segment of the market, 13 percent of processing, price was $144 per ton for dried freestones, up $10 a ton.

Last year marked the second year of our participation in the frozen peach council, a joint promotional effort funded by both the grower and the freezer, which involves going out and peddling freestone peaches to schools, attending some of the trade shows, and staffing booths at a number of trade shows around the country. We're very excited about this program. It has been a great success in allowing us to move more freestone peaches into the frozen marketplace. We are excited also because it has brought us closer together with our freezer customers. Our freezer, who was our biggest adversary in bargaining 5 years ago, joined with us in 1990 in supporting the activities of the frozen peach council.

Jean-Mari Peltier
California Pear Growers

We had ideal blooming conditions, especially in the river district, resulting in setting one of the larger crops we have ever had. In fact, it was the largest crop in the Sacramento River district. We started this season with some difficulties with the canners. One canner was entering a joint venture with a firm that resulted in some questionable pricing on pears. Another problem was with the Grade Pear program, establishing a system for paying less for California Grade pears. Another situation was difficulty with a canner that was trying to discriminate between fruit delivered from packing sheds versus fruit delivered from the field.

None of those problems were a result of our negotiations with proprietary canners. Rather, they were difficulties with our co-op bretheren. So we had an interesting season before we even got started.

Our overall tonnage was 312,000 tons for California, one of the higher production amounts but just about average. Our price, though, was the second highest on record at $213 a ton. That price dropped from $230 a ton the previous record year. Interestingly, we charted what has happened over the 35-year history of the association and found that every time we hit the historic highest price, we always slipped back.

The important thing we've experienced in the past several years is a real shift toward more valuable use of pears in California. Whereas previously the fresh and can sector combined equaled about 79 percent of the total crop,it is up now to 89 percent. Fermentation has dropped from 12 percent to 5 percent, the least valuable category.

We' ve seen an increase in Bartlett intake of 100,000 tons since 1986. In 1985, we had a huge inflex of foreign pears into the United States, so the next year we saw a real decrease in the amount of pears that canners both in the Northwest and California were willing to take.

Our negotiations with Del Monte went "really smooth" this year. Once again, we tried to go for early pricing, but unfortunately it seems Del Monte keeps equating early pricing with cheap pricing. So we still haven't been able to put anything together. Those of you who know me, know there's a lot I'll do to try to get price.

This year when I tried with Del Monte, it was my 35th birthday, I was 5 months pregnant. I had pneumonia. I was hacking on the phone with negotiators from Del Monte but unfortunately still was unable to put anything together. We did settle the price on July 11, the second earliest we've ever settled price. Some of my directors suggested I should try getting pregnant every year because we seem to settle quicker that way. I told them that was asking a little bit too much from me.

Sales to the Northwest continue to be a major factor for California Bartletts. Our sales dropped from 30,000 tons last year to about 22,000 tons this year. We've had one canner get out of the California market entirely, but several other canners are continuing to look for 3-year

contracts with our growers, so we think purchases in the Northwest are here to stay.

We set a record crop in the river district. We also shipped about 2,100 cars when we thought we were going to ship 1,400 cars. So we had a tremendous influx of fruit into the fresh market.

Fortunately for us this year, we had a new market open in Mexico. The first part of the season, though, we had a little bit of a difficulty. We all talk about those nontariff trade barriers--well, the Mexicans decided to impose a restriction against shipments of products from the Sacramento River district on the basis of a purported infestation by the oriental fruit fly. That infestation was in a backyard in Orangedale and nowhere near the California production down the river. After about 10 days of phone calls to both USDA in Washington and our agricultural attache in Mexico City, we were finally able to get that restriction removed.

We still have a lot of issues before us, nonbargaining issues. We talked about the demise of Big Green. That wasn't an indictment of the environmental movement but rather that the voting public is sick of the initiative process. Water is going to be a continuing issue in our area. One of our main productive areas in the Sacramento Delta has problems with water quality. Chlorinated water for drinking remains in peat soil, creating a problem with a byproduct. So we're going to continue having issues on both water quality and quantity. And, clearly, a number of us in California are concerned about the demise of pesticide research through the universities. So it looks like we still have a full palette and plenty of job security for the next year with so many issues facing us.

John Welty
California Tomato Growers Association

If there was one word to describe the 1990 year for processed tomatoes, it would have to be GROWTH — DRAMATIC GROWTH!

California produced 9.3 million tons of processing tomatoes in 1990 making up nearly 90 percent of the U.S. supply. Four new processing plants came into production for the 1990 season in California. Those plants are Morning Star Packing Co., S K Foods, Inc., Helm Tomatoes, Inc., and Gangi Brothers Packing Company's new plant in Riverbank. Altogether, a conservative estimate would be that 600,000 tons of capacity have been added by the new plants, which does not include the capacity added by existing plants.

In 1989, California produced 8.6 million tons, which was short of the expected 9.3 million tons that would meet canners' intentions. As negotiations for 1990 approached, it was evident that processed tomato products had reached all time high price levels. At the same time, these high prices were attracting high volumes of imports. Industrial users of tomato products, in an effort not be caught short, filled up the pipeline driving prices up. Going into 1990, with expectation of a large crop and buyers sitting on full warehouses, we started to see the price weaken.

The Association, however, was successful in signing agreements with processers at $54.00 per ton, down $1.00 or 2 percent. During the same period, growers were able to market an additional 700,000 tons of tomatoes or an increase of 8 percent.

A point of interest in 1990 was that CTGA entered into conciliation with H.J. Heinz Company and an agreement was reached. The Association was successful in two important areas. First, to my knowledge it was the first time that a bargaining association that had reached impasse during negotiations was not left with the last offer of the processor. We were able to take advantage of new California law for settlement of disputes and reach an agreement by going before a neutral third party. The second positive aspect of experience was that CTGA was able to substantially alter the H.J. Heinz push for a market basket risk type program. We were able to greatly improve the Heinz offer. However, while the value of the settlement will prove to be greater than the market basket, it will be lower by some degree than the negotiated prices reached with other processors.

CTGA was able to achieve some positive gains in 1990 but we weren't able to get everything we wanted.

Daryl Knipp
Fremont Pickle & Tomato Growers

The Fremont Pickle and Tomato Growers Association negotiates exclusively with the H.J. Heinz Company in Fremont, OH. We contract about 150,000 tons with the facility at Fremont. About $2 million worth of cucumbers are also graded at the Fremont facility.

This past bargaining season, we felt was fairly successful. We were able to achieve an increase in price on both tomatoes and pickles, about a 50-cent guaranteed base price increase on the tomato crop, with an additional incentive at the end of the season based on the price of fancy ketchup on the private label. Our best estimates right now are that the profitability program will net us another $1.50 a ton, so we feel comfortable with that. In cucumbers, we also received a slight increase primarily in the price of No. 1 size pickles, which is what the processor was demanding, and that was good for us, also.

The crop in both tomatoes and pickles was good this year. We had our bumps along the way. Weather gave us some problems during planting and growing season, particularly on the tomato crop. As it ended up, we had a very light fall. We harvested tomatoes into October and ended with one of the larger crops on average for the Heinz factory at about a 32-ton factory average. We were fortunate, also, in that Heinz was able to take more than our contracted tonnage, so on average we probably delivered 110 percent on individual contracts.

The cucumber crop also was good. We didn't have the opportunity to deliver extra bushels on our cucumber contracts, because the whole Midwest industry was saturated with a good crop of pickles. But we were able to fill our contracts, which was more than we had been able to do the past couple years. We ended the season with a good gross per acre, because the size mix was pretty much what the factory wanted. We were able to pick small pickles, produce a high revenue per acre, and we still operate in Ohio on an owner share-crop system in cucumbers, therefore, we made more money and the workers made more money. At the close of the season, the work force, the processor, and the grower were satisfied with the crop.

In another activity this past year, we represented growers in a contract with the Farm Labor Organizing Committee. We have a 3-year agreement that started this past season and will expire in 1992. At the conclusion, we'll go into another contract that will in some fashion change us from an independent contractor status to an employee status. We're involved in some indepth studies right now, with some consultants helping us, to see what the effects of this change will be and then be able to make recommendations to help keep the industry strong, with an adequate labor force. The processor will be able to make money, and we as growers will be able to make this status change and still remain competitive in the industry.

Michael Klein
Hazelnut Growers Bargaining Association

Our 1990 bargaining season was one of ups and downs for the hazelnut growers. Coming off a disastrous 1989 crop of just about 11,000 tons, we're seeing a potential in 1990 of more than 20,000 tons. While this is good for the growers' revenue, this is also happening at the same time when world hazelnut supplies are at their highest levels. Worldwide consumption is about 450,000 tons. World supply this year was more than 800,000 tons. So we have a problem on our hands.

The largest producer, Turkey, was selling at low prices, and prospects were dim last fall. But through the sheer volume of this year's Oregon crop and the resulting packer cost being lower, we were able to negotiate a 2-cent increase to 40 cents a pound versus last year.

What made bargaining interesting was that for the first time in many years the association board of directors called for a clause in the contract that allows the association to call for an independent audit of all the packer sales made during the past year to see if the wholesale price we negotiated was either achieved, exceeded, or not reached. As we were going through negotiations, in the very next room an independent

auditor was going through the packers' books. This created not really the best air of cooperation between the two parties. It seemed like about hourly I was getting phone calls from packers trying to get exemptions on certain high value sales for one reason or another. If it wasn't the packer calling, it was the auditor saying: "I think this packer is trying to cheat," or "Is this legal?" So it was an interesting time the way it tuned out, though we found that the packers did sell for a higher value than the price we negotiated a year ago. Our contact provides that if there is a difference in the two prices, we split the difference between us and the amount that's due back to growers or due back to packers is applied to the next year's crop on a dollar-per-dollar basis, applied to the next year. It turned out the packers owed us 2.6 cents per pound based on last year's 11,000 tons. We had an early estimate of just a little of more than 19,000 merchantable tons applied to that, so we added another penny and a half to the 1990 field price. We ended with a crop of about 19,500 tons and a grower price of 41-1/2 cents a pound. Our crop was up 60 percent and the field price was up 9 percent. So all in all, I think we had a pretty good year.

Marvin Jarmin
Northwest Red Raspberry Growers

Northwest Red Raspberry Association has 125 members who produce 7 million pounds of fruit on about 1,500 acres. Washington has 6,000 acres of red raspberries, 90 percent harvested with picking machines and about 10 percent with hand labor. The picking machines are either self propelled or tracker-mounted. The picking machine has a mechanism that is a series of vibrating nylon rods up front. The machine straddles the row shaking the fruit down to a series of catch plates along the bottom. The conveyer belts move the fruit over the flotation cleaner that comes over the top, and the fruit moves out into the flats. The fruit is then moved to processing plants to be packaged either in IQF form, 6-pound or 28-pound buckets, or it goes into 400-pound drums. Machine picking is probably where we get into the most problem with our fruit, because it is fairly easy to pick with machines--three people on a machine. If the fruit is going to a juice concentrator, it is picked direct into 400-pound drums and shipped fresh or frozen to the concentrators.

In the past 10 years, we have moved from 15 million pounds to 30 million pounds. Around 1986 is when the machines started to come in. This increase is due probably to new varieties and, of course, mechanization.

Several problems worked against us in the 1990 bargaining negotiations. We anticipated the 1989 yield of close to 93 million pounds would increase to 115 million pounds. But it only got up to around 70 million pounds. Coupled with the 1989 price was a carryover of 33 million pounds, probably the highest we've had in years. The expected increase in tonnage was where we really got taken. The packers did not want raspberries because of the indicated high yield that was coming and the carryover. They started the price at 19 cents. It moved up to 25 cents but it never went beyond that. With the crop yield in half from previous years, our growers suffered tremendously. Hopefully, our carryover is getting down to a manageable position, probably the lowest we've had in 5 years. We're looking forward to no place to go but up.

Adin Hester
Olive Growers Council

In summary, the 1990 olive crop in California brought growers prices that were the same as 1989. The only change is that we did negotiate an additional hauling allowance to the growers of 25 percent.

With that statement, I should probably conclude my report. However, I would like to add a couple of interesting occurrences that affected us this year. As I reported in 1989, that year was our third largest crop. We anticipated 1990 as producing probably a good crop but not nearly that large. Unfortunately, Mother Nature dealt us a foul blow. We ended with a lot of egg on our face. We produced the second largest crop in history. As a result, we delivered a crop that was based on the same prices as the previous year but with smaller sizes. Our growers actually received about $100 a ton less than they did the previous

year. Price dropped from about $650 a ton to about $550 on average.

The second surprise was that we ended up with a large Sevillano crop. That's the large olive we call the queen. The homemaker wants smaller olives in the can because she wants to make sure the olives go around to all the people at the table. With the big olives, you don't get that many in the can. Because of that record crop in 1989, that added inventory shock to the industry. Aside from these surprises, and we got nailed pretty hard with the freeze in California, the really serious issue we have to contend with is going to be water. Because our crop pushed in September for the final period of growth and we were running the irrigation pumps 24 hours a day, we couldn't affect the size of the olives. Our deep soil moisture is exhausted. We're now in our fifth year of drought, and with the freeze I'm not sure what 1991 is going to portend for the grower. Hopefully, we will get some olives, but only time will tell. So this time next year, I hope you tune in to the next chapter of the Holy Book of Olives as written by Mother Nature.

Greg Thompsen
Prune Bargaining Association

The year 1990 was a busy and successful year for the Prune Bargaining Association. Early in the year the board of directors voted for an improved board structure by reducing the number of alternate board members to one per district. The board also approved a strategic planning session, and later in the year, PBA obtained permission to access members' grade and size data, which greatly aided our pricing strategy and negotiations.

Bargaining activity on a moderate crop of about 146,000 tons resulted in price increases of 1 to 3 cents in key size categories. Our membership increased by 16 growers who represented more than 2,000 tons of production.

A new computer system was installed in the office, and for the first time we established a cash contingency reserve for the association.

During our strategic planning session in early May, our board members developed key goals for membership and grower and packer communication. From this session and subsequent committee meetings, members suggested a roundtable discussion with packers to improve our communication. Held in mid-June, the roundtable proved to be an extremely effective way to involve members in the pricing process and to establish a positive climate for later price negotiations.

The planning committee also suggested that PBA develop a grower reference guide to prune grading. The guide was well received by the industry and by growers. As part of our goal to improve communication with packers and growers, a mailing list was purchased, and a yearend newsletter was distributed to all the growers in the industry. In this newsletter, we highlighted PBA achievements and the growth in pitted prune shipments. We've seen a tremendous growth in the pitted category and a subsequent increased demand for larger prunes.

Our pricing activities began June 13 with our roundtable discussion. Fifteen packer representatives and 10 PBA members attended. Members took an active role in discussions before and after the roundtable, and provided valuable suggestions and ideas. They participated in forming strategy for our 1990 price negotiations. Discussions at that roundtable focused on the problem of too many small prunes in the inventory and the increasing demand for larger fruit. Also discussed was the possible adoption of a new grading system for independent growers. The full board of PBA acted on recommendations of the pricing committee and established an opening price on June 21. Our three-member grower pricing team began active negotiations on July 12. Initial offers well below our PBA opening. Discussion of the alternative grading system resulted in a wide variety of price schedules and confused negotiations. But after several meetings with different packers, both sides agreed to drop the grading issue for the year but to meet again after harvest to determine if new grading standards should be adopted.

We used a teleconference on August 3 between pricing committee members to determine if the most recent offers from packers were acceptable. Committee members agreed that price increases on large fruit would offset decreases on

small fruit. We reached agreement with the packers on August 8, just before harvest got under full swing. We achieved a price increase of 2 to 3 cents on larger fruit, and analysis shows that our price schedule represents a gain of nearly $1 million on member fruit for the larger sizes, while price decreases result in the loss of only $20,000 or $30,000 on member tonnage. The market outlook for 1991 looks very favorable. PBA anticipates further price gains on large fruit and the pitted categories are expected to contnue to grow. PBA is considering alternative pricing schedules to provide greater economic incentive for the production of large prunes and to reflect the market demand. A recent meeting with packers with regard to incentives was productive, and we're hopeful a new standard will be established before 1991 price negotiations get underway this coming year.

Dick McFarland
Washington-Oregon Canning Peach Association

We had an outstanding year. We had the largest crop in the history of the Northwest and the second highest price. The canners bargained in good faith. The economic conditions were good and we priced early.

Rick Cinquini
California Almond Growers Council

I'm at this conference on a learning and fact-finding mission. I'm predominantly an almond grower in the Chico area. We are diversified. We have other crops. But we've been mainly interested in establishing a bargaining association for almonds. Our main reason is because of the depressed prices we've been receiving the past couple of years, a trend that has taken place over the past 10 years. I've been impressed with your organizations, and I want to thank you for extending the invitation to attend. I will go home and report, and I'm optimistic that we have growers' support in California for such an organization. It is a concept that can work very well for our industry.

I've had the opportunity to talk with quite a few of you at this conference and earlier during November and December. We've talked about several California commodities, including tomatos and peaches. You've all been very helpful and I want to thank you very much. I'm sure I'll be in contact again. I hope I can return next year with a more enlightening report on how we're progressing and have something of more interest to you.

Dick LaFramboise
Central Washington Farm Crops

Two years ago, HB 2000, the bargaining bill for Washington State was enacted. This was the first year in which it would be tested. The bargaining bill provided for a committee of processors and growers to look at any problems that developed and to organize. Sure enough, it did run into a problem. We had one processor who decided to go out and price his crop and contract it before the pricing period was to begin. Needless to say, he caused some problems attempting to establish the same price as the previous year. However, we did have another processor, who felt he had done very well and decided the price in the previous year was not fair so he moved his price from $63 a ton to $66.50 a ton. With his help, we were able to go to the other processors and ended with a spread of price between canners and freezers of $65 to $66.50 a ton. It was probably one of our better years. But we did have about a 15-percent shortfall in the crop for yield.

Gary E. Fuhriman
Idaho Farm Bureau Marketing Association

We have the opportunity of working with sweet corn growers in eastern Oregon and western Idaho and because of the success they have had over the past few years in getting prices they can live with, we have had other corn growers in Idaho ask us to become involved in their negotiating process.

Two companies we've been working with are

American Fine Foods and Ore-Ida, and things have gone quite well with them. Growers in the Burley area in the past couple of years asked us to get involved and they formed a marketing association.

We went to Del Monte feeling like we were going to have some success and in 5 minutes we were out the door. The growers met and decided to hang together. We went back to Del Monte, meeting this time at the Farm Bureau office, for a couple of hours. Yet, we didn't come to any terms. Del Monte felt it could do a better job than growers could in coming up with the prices. As a result, growers in that area decided they would not raise corn for Del Monte that year. What really ticked us off is that Del Monte wouldn't offer us a price increase and instead went to other areas 60 to 80 miles away, contracted with new growers, and hauled in the corn at extra cost. These growers are still hanging together, and we've had a couple of meetings with Del Monte, so maybe we will be able to have some success.

Jack Pressley
Malheur Potato Bargaining Association

We're in Oregon just across the border from Idaho and we bargain strictly for potatoes. We had a good season because we settled a 2-year contract with our major processor in December 1989. So the other processor fell in line about the second week of January. We got probably the best increase on our potato contracts that we've had for years. Our growers came out in good shape. We're tied in for 2 years with our major processor and we hope our other processor will fall in line fairly soon.

Rich Turner
Nyssa-Nampa Beet Growers Association

This is our first year at this conference as an association. I represent one of the three grower organizations contracting with the Amalgamated Sugar Company, the only sugar beet processor in Oregon and Idaho. Last year, we had about 72,000 acres growing under the Nyssa-Nampa Beet Growers Association of a total of about 200,000 acres contracted with Amalgamated in Oregon and Idaho. Last year brought the best crop in tonnage--more than 2 million tons. The year before produced 1.6 million tons, which had been one of the larger crops. However, a setback to the large crop was that we still didn't grow any more sugar. We averaged about 16 percent sugar in our beets the year before. This past summer's heat provided excellent growing conditions to grow a bigger beet but no more sugar. We're going to average about 14-1/2 percent sugar.

We are a little bit different than most organizations here. We bargain with the company on a lot of different things. Prices already were determined in the mid-1960s. The price, or payment scale, for sugar beets was determined under the fair price hearing legislation that was in the sugar program from 1948 until it was dropped in 1974. In 1967, a fair price hearing was held, and the price of sugar beets was determined on a cost percentage between what it costs a producer to raise sugar beets and the processor to process them. The finding was determined to be about 60 percent for the growers and 40 percent for the processor. Last year, we took the bargaining position that processor costs have gone down, and grower costs have gone up. We feel we should get a better share of the sugar beet dollar for the growers. However, when we sat down at the table with the company, any issue that had a dollar sign in front of it was stonewalled. Otherwise, the company was willing to talk. One impetus for coming to this meeting is that we're looking for some type of legislative leverage when we sit down with the processor to bargain for our crop and our growers' livelihood. We're looking for something similar to the fair price hearing legislation we had from 1948 through 1974. So we're interested in taking a look at being part of this organization.

A parallel reason for growers to act comes from the recent sugar situation in an outlook report from USDA last October that shows growers in the Oregon/Idaho area I represent would lose $73 per acre on their sugar beet crop. And the 1990 October Financial Statement for Amalgamated Sugar Company showed it had a net profit in excess of $30 million. We'd like to see a little bit of that spread out to the growers.

Harry Foster
Michigan Agricultural Cooperative Marketing Association

Asparagus growers in Michigan have had another good year. We settled the price at 55 cents, which was just a little bit less--2 cents--than the year before. We did not go to arbitration this year and did the prior 2 years with the same processor. We have one lead processor that the rest of the industry says settle with it and we'll go along.

The problem this year and a problem I see for the future is that, right or wrong, we've prevailed in all arbitration cases. I think we prevailed because we've been better prepared. When we settled this year, we triggered a perception of market saturation. The processor wanted a lower price by about a nickle and we didn't let that happen. After settlement, all the processor could do was rock the boat, threatening farmers it wouldn't take the asparagus. We did have some adverse weather and the kind of trappings that go with that. The real concern I have looking ahead, although maybe the supply and demand situation may prevail, is the possibility the processors will now show up at these arbitration sessions with attorneys.

We've always done that although they didn't participate. We just wanted an attorney at our arm to make sure the law was being administered properly by the hearing officer and by the arbitrator. This practice has been very helpful to us. Now, the processor is looking for little weaknesses in our act.

We've been operating under the State marketing act in our asparagus program since 1974 and, frankly, quite successfully. We really expect prices to weaken some, but not fall by any dramatic amount. In 1991, we're all looking at higher labor costs and higher grower costs, especially those that are petroleum related.

Our biggest threat last year, and probably for the next few years, is going to be imports of asparagus. I don't know how many of you are concerned about imports, whether they're from Mexico or any of those places south of the border. We need to organize a coalition. It's not just the fresh product coming up. Mexico shipments from 1989 to 1990 went from 27 million pounds to 34 million pounds. That's fresh alone. What we're looking at is increases there as well as for processing. It's a big issue.

We administer our asparagus advisory board, which is basically the advertising promotion and research effort. We're right in the middle of an expanded program and the referendum is related to increasing the budget for market development.

We do two other things. We administer the Michigan Asparagus Research Committee that deals with the projects at the university and on a farm our research committee owns. We administer the Michigan Plum Advisory Board, which is basically a promotional effort with a pretty small budget but working on some things in market development.

Tom Butler
Michigan Agricultural Cooperative Marketing Association , Inc.

Our apple growers association is 750 producers strong. This year we negotiated the highest prices on record for our processing apple crop, about 65 percent of the volume of fruit that is grown in the State of Michigan is processed. And that 65 percent returns a lot more money today for growers than does the fresh market segment. Everyone of our growers produces fresh market fruit but 65 percent of what they grow goes to the processor. We negotiated prices of $250 per ton for Northern Spies, $215 for Ida Reds and Jonathans that pretty much takes care of the slicing segment; for sauce apples, $185 per ton; $170 a ton for soft apples, of which MacIntosh would be included; and $105 a ton for juice. Now, those are minimum prices we contract with the processors. They will not pay less. If the marketplace can handle it, the prices may be bid up. For example, our minimum price on juice at the outset was $105; today it is $150 because of the bidding process.

We worry a little bit about being out-competed by the great State of Washington and the State of California. I called the president of the Granny-Smith Growers Association in Fresno, and I said: "What's the price of Granny peelers? He said: "I haven't the foggiest idea."

The price of juice apples in Yakima and Wenatchee was $40 a ton and ours was $105.Our

ceiling is created by the Washington price and the cost of freight to get the apples out our way. We did have an ineteresting with a group of growers outside of Wenatchee earlier this week and then down at Yakima and there was a little be of processor representation there. They didn't like our presence there very much but we had a good time.

We hope to visit some other people and get them more involved in this apple business. You know, in this State of Washington, you hear about diversion to processing and that's similar to ... well, you don't have to pay somebody to haul the fruit away. But sometimes that's about the only benefit you get out of this diversion to processing and there's a lot of value there so we sort of enjoy a little controversy once in awhile so we think it will be time well spent if we can help some people out here.

Walt Brown
Ontario Vegetable Growers Marketing Board

Our board represents 1,600 producers with a marketing value of about $125 million.

In Ontario, we have the right to have marketing boards. All processors, under legislation, have to be licensed and have to negotiate their crop with us. We have fall processing crops under our jurisdiction and a negotiated settlement has to be made yearly. If we do not reach a settlement, we have a final offer selection procedure, with the crop going to arbitration.

Most crops in our area had excellent yields this year. For tomatoes, the settlement was 1 percent down for paste and 1 percent up for whole-peeled and juice. We did negotiate a productivity formula that encouraged processors to take the entire crop on years where there was excess, and it seems to be working quite well. In beans, we also had an excellent crop, with yields being the best in years and also extremely high quality. The price went to arbitration this year and we did lose 5 percent on the rice, but I think 2 years ago we went to arbitration and won a 17-percent increase, so we're still having some ramifications from that. Sweet corn in our area also went to arbitration last year. We had super yields, and excellent processing recovery. We did have quite a bit of bunching, and the yields were greater than the capacity to process it. Twenty-five percent of the crop was bypassed because of that. I won't go into detail on other crops, but they settled somewhere between zero and plus 5 percent.

We have a free-trade agreement with the United States that took effect 3 years ago. It's causing a lot of processors and corporations in Canada to go through an intense rationalization process. As a result of some of that, Hunt-Wesson has moved its processing back to California. Albert-Del Monte has consolidated two plants in our area and the cukes from H.J. Heinz have moved to Holland, MI. A lot of decisions by corporations are affecting farmers in our area. On the other hand, a lot of our processing plants are expanding, and there are some encouraging signs in some of the processing crops. These changes will continue for 1 or 2 years and then the industry will settle down to something that will be a little bit more stable.

Joe Somolik
Potato Growers of Washington

Processors we bargain with include McCain's Foods out of Canada, Universal Foods, Simplot, Ore-Ida's, Carnation, and some other smaller processing houses. We had difficulty with the Lamb Westin organization. Lamb Westin was previously owned about 3 years ago by Amtrac Foods and was subsequently sold to a joint ownership between Conagra and Golden Valley Foods. Each of them had 47-1/2 percent ownership with the last 5 percent being held by individual investors. Those two organizations selected the CEO.

Last year, with the new bargaining act in place, the association went in good faith to sit down at the table with Lamb Westin and the negotiations broke down. No contract was entered. That may not sound all that bad except for a couple of things. The previous Lamb organization had a distinct family relationship with the growers. The growers were also instrumental in bringing some of the processing facilities into Washington State because they knew there was a

mutual benefit for both growers and the processing organization. And so some past relationships were broken and we had some disappointed players. We recognized that when mergers and acquisitions occur, when accountants, attorneys, and MBA's start running organizations, relationships aren't as significant as is the bottom line and short-term incentives.

Later in the year, Lamb Westin engaged in individual negotiations with some of our grower members, bypassing the negotiating table. If fact, one was a board member. We subsequently filed charges with the State through the Department of Agriculture. We believed we would not only set a precedent in terms of the law, as this was the first formal charge under the act, but also we wanted to ensure that the State as an inforcement agency had the proper tools in terms of what this enabling legislation provided. As of 2 hours ago, I received word from the State that despite Lamb's efforts in deferring and challenging the constitutionality of the law and various other things, the State has enough evidence to find that Lamb did bypass the bargaining process. Through this circumvention, Lamb is in violation of the law. Now, penalties assessments, and hopefully nullification of those contracts will take place.

What does that mean for all of us? I think it means a couple of things. First , we weren't intimidated by raw economics and, believe me, it was a challenging decision of whether we should take on Goliath and play David, or roll over and allow the situation to go on. The answer really is that nothing's the same in the world. Consider some of the new buzz words--strategic vision, change management, transition management, efficiency versus effectiveness, proactive versus reactive, facilitate, feedback, downsizing, right-sizing, cultural diversity, lean and mean, value added enhancement, new world order, one world government, consumer rights, environmental concerns, international market place, power shifts, information society, metric management, gold-collar workforce, systems management, humanist, new age movement, customer driven, service orientation, and last but not least, quality, quality, quality. I know all of you have heard those words at one time for another in the past few years, because that's what's going on out there.

I'd like to add a couple of others. The first is dinosaurs. What is the difference between dinosaurs and human beings? It is simply that, as far as we understand, dinosaurs never could adapt to a changing environment. Human beings could, and that's why we're here today. The next word is surf boards. For those of you who have been in California, been on the beach in the summer, you see basically two people in the water. Some stand and fight a wave until it knocks them down. Others get on a surf board and ride that wave to the beach, go back out and do it again, and have a ball. What does that mean to all of us? I think in terms of being agricultural associations and speaking specifically for the Potato Growers of Washington, we can't be dinosaurs. A lot of things are going on out there, and we have to be able to adapt to the changes, ride with the wave of change. Changes are coming and all we can do is ride that force of change and enjoy the ride.

Vaughn Koligian
Raisin Bargaining Association

The Raisin Bargaining Association (RBA) is roughly a 2,000-member cooperative in a group of about 5,000 raisin growers in the San Joaquin Valley. We have 17 out of 21 processors as RBA signatory packers. Our primary packers represent about 75 percent of the industry tonnage. If we include Sun-Maid Raisin Growers, then our cooperatives represent about 97 percent of the industries' tonnage. Sun-Maid has cooperative members as well.

RBA's negotiations in the past have usually been quite colorful. This year, I'm going to bore you a little bit. Our efforts began by executing a favorable 2-year master contract versus the prior year when we had a 1-year contract. We've got a 2-year agreement and one of the key provisions is that we require the processor to provide containers for growers free of charge, or to pay growers rent for their containers. That's important, for two major reasons. First, we need 800,000 bins in our industry to store the raisins. Secondly, we now have a diversion program that we use to carry crop into the next year, and that ties up bins. We knew we were going to be short of bins. The industry will be particularly short of bins in 1991, and that burden was placed on processors.

Pricing this year went relatively smoothly for a change. Going into pricing, major packers pressured RBA to reduce prices about 5 percent. Pressure to reduce prices came from one or two major buyers who put pressure on the packers to lower their price. A year ago, I had the occasion to visit with the major buyer of raisins in the United States or probably in the world. He said, we're the largest buyer in the world, we buy almost 10 percent of your total production, and we pay about 20 percent more than what you sell it for overseas. We're paying a premium so you can sell it overseas cheaper. I was able to counter his arguments, but they were back at it this year pressuring us to reduce prices. That pressure conflicted with the fact that our packers had a large carryin inventory and would have to write down their inventory value causing a terrible impact on their financial statements. They couldn't afford that write down.

Other factors influencing RBA pricing included increased imports, particularly from Turkey, Chile, and Mexico, which were at lower prices; reduced sales from the prior year--we're down about 3 percent; increased carryin tonnage--that's tonnage in the packers' hands beginning the season; and reduced free tonnage, the primary element that affects growers' returns. So we're in a quandary. Sales are down 3 percent, packers' carryin was large, and growers' returns were down. What do you do?

The board felt the best measure to take would be to retain the same price as last year, in anticipation of helping stimulate sales. Essentially, the growers took the inflation bite on the chin, with the hope that sales would increase. The offer was presented a little bit early, on a Friday, and the acceptance date was the following Thursday at 5 o'clock. By Wednesday, we didn't have a deal, and I knew it was because of pressure from major buyers putting pressure on our packers not to sign the contract at the same price. Our attorney advised us to pick up the phone and tell the buyers they were interfering with an advantageous relationship with our contractor. We called Wednesday morning and by Thursday morning the major packers had signed and we got our deal. The base price was announced at $1,040 a ton, and including all the bonuses for moisture, bins, and a premium from maturity, it came to $1,115 a ton and same as last year. It appears we're going to get the premium price for about 69 percent of our crop.

What was the result of keeping the price the same? That price is certainly not the only factor that determines raisin movement. I can proudy tell you our sales are up 7 percent to date from the prior year. Increased sales were what the growers were asking us to do, get the free tonnage up.

Recently, the RBA board chose to negotiate revised delivery terms that had been in place for a number of years. The changes we have put into place affect the moisture and maturity payments beginning with the 1991 season. The inducement for these changes was to get the growers to deliver a product to our processors that is more storable, processable, and salable without sacrificing grower returns. We were successful in our efforts and all packers have adopted our revised delivery terms, including Sun-Maid that adopted it for its membership. This was a big coup for RBA because it provides a number of indirect benefits to our growers as well as putting between $2 1/2 million to $3 million more in our growers' pockets.

This past year, RBA increased services to members. We now offer a worker's compensation program and a property liability program, both with national A-rated companies. Our large membership base of 2,000 growers has allowed us to negotiate favorable premiums and increased dividend rates. Both programs have enjoyed favorable success, and that's just one more way for us to attract and retain growers.

The industry has more potential for increased sales in addition to our existing domestic and foreign markets. We began selling to the Eastern Bloc countries of Poland, Czechoslovakia, and Hungry. These countries are interested in buying raisins. These efforts will continue through grower and packer advertising assessments and, of course, the $8.2 million we just got in Targeted Export Assistance (TEA) funds.

Let me illustrate to you a brief historical picture of what's happened in the raisin industry. Ten years ago, our carryin tonnage and our production totaled about 333,000 tons. This year, our carryin tonnage and our production will increase to 560,000 tons. We're in an obvious oversupply situation. Shipments went well,

though. Shipments 10 years ago were 224,000 tons. Shipments today are 344,000 tons. So our shipments have increased about 120,000 tons. An industry increasing in shipments by 50 percent over 10 years has done its job. We've had good commercials, good market support, and good advertising. Ten years ago, 18 products used raisins. Now more than 50 products use raisins. Where has the increased production come from? Six or 7 years ago, there were 284,000 acres of raisin variety grapes. Today, there are 270,000 acres. How could you fall in permanent plantings and increase production? It came from the wine industry. Ten years ago, 778,000 green tons were crushed--Thompson's crushed green. This year, it's down to 226,000 tons. It doesn't take a genius to know those 550,000 green tons convert to about 130,000 dry tons of raisins. The raisin industry has become the dumping ground for the Thompson grape. Tough people outlast tough times. I know we can do it.

I want to conclude with three things that illustrate why this conference has been important to me.

First, Washington Apple Growers shared with us last year the events that took place in the alar issue. We were confronted with something similar this year. When we left the conference last year, the raisin group developed what it called a Crisis Response Committee, and we were successfully able to abort effects of a book called "Diet for the Poison Planet" that placed raisins in the red light food category of, "don't eat." Information from this conference was a partial stimulation to get us going. It cost $717,000 to do it. That was cheap--$2 a ton.

The second point is worker's compensation. Jean-Marie Peltier talked about how the pear growers had developed a worker's compensation program. We developed a similar program. It has had tremendous success. Frank Silva in the audience pushed us to get that program started.

The third item came about when Sam Green and I met with Don Gordon after last year's conference and asked about "Hayden Big Green" and "CAREFUL." As a result, RBA early on from this conference was involved on the CAREFUL board of directors and our president Glen Goto was one of the 16 directors in this State.

Those major points came out of this conference. So if our membership or you need to know why we attend, here are three reasons, and they were very important to our organization.

Lawrence Porter
Vegetable Bargaining Association of California

Right now, we're without a manager, who has been hired by the local Farm Bureau to work in education. Our association works in conjunction with several other organizations because we're small. We have another organization of independent growers where we work in labor relations. We have been dealing with a number of the things we heard about at this conference. Another association in the same building provides a health plan for our farm workers. Another arm is a coalition of about 12 to 15 different agricultural organizations in the area. This task force monitors bureaucratic activity on a county level, makes summary reports, and as things occur that we need to work on we're made aware of them well in time to do something about them.

We bargain for three commodities. For chili peppers for dehydration, we represent a significant portion in the Salinas Valley, about 3,500 to 4,000 acres. Last year, we had a pretty good year. We had a price increase of 5 to 6 percent. Harvesting costs went up. Within this commodity, we've worked for the past serveral years with four processors in a cooperative effort to do some research and development on a mechanical harvester. That research has progressed to where we have a workable machine, and we have developed a set of working blueprints. So we're on the threshold of developing a prototype harvester. We have one processor of cucumbers for pickling. We had an increase in price of 6 to 7 percent. It's a hand-harvested crop.

We also negotiate for cornnuts, a snack item. There's a small acreage in the valley. Production has gone up in the past few years, but price remains the same. Price has yet to be determined for 1991.

We're definitely concerned in our valley because of the drought. We've been hit hard by the freeze. It froze a lot of broccoli, cauliflower, celery, and artichokes in the Salinas Valley.

The agriculture situation is pretty stable, slightly improved overall. In recent times, there's more demand for farm lease land, and land value sales have firmed up and are moving up slightly. It's pretty much a seller's market.

Mike Harker
WA-OR Asparagus Growers Association

Our association essentially held the line on price. The season started with nonassociation fresh growers, for about 2 weeks, barely managing to get a return equal to the cost of labor to harvest their asparagus. That made our processors a little uncomfortable about the price they were paying, which was about twice the amount the nonassociation fresh market was paying. That caused us some anxiety but we held firm and we're pleased we did.

We picked up some new members as that process was unfolding, and our weather then became somewhat cool, production levels dropped off, and we picked up a few more growers. At the end of the season, the processors who were buying from nonassociation growers ended up roughly 30 percent short on the product they had initially talked about buying. In contrast, we met the product requirements of the processors to whom we were selling, so we were able to give a good justification for our price and the justification for holding it there. We're quite excited in that over the past 1-1/2 months, we've increased our membership about 40 percent. Market situations come along every now and again where a few things do fall in place. That happened to us this past year, and we think that's going to enable us to sign the buyers we will need for the additional grower product we are now accounting for. We recognize we don't have much time to delay. We'll be cutting asparagus in another 2-1/2 months, so when I return from this trip, we'll be in the thick of negotiations.

FOOD SAFETY ISSUES AND PROBLEMS: GATT Sanitary/Phytosanitary Negotiations

James Grueff
Multilateral Trade Policy Affairs Division
Foreign Agricultural Service, USDA

Earlier in this conference, I discussed General Agreement on Tariffs and Trade (GATT) agricultural negotiations in the four areas. This discussion is going to be focusing on just one--the sanitary/phytosanitary element of negotiations.

I am the negotiator for the United States for these negotiations and in fact until April of last year, I worked only on that aspect of the negotiations and not on the others. As a matter of fact, the others that I also now am involved with, such as export subsidies and market access, are considered by my colleagues in Washington to be the sexier issues, the higher profile issues.

All of us who are involved with the agricultural trade realize the food safety and related issues are very important in international trade for agriculture, and they're going to become even more important. That's why I'm pleased to more specifically discuss sanitary/phytosanitary work. A lot of terms and detail are involved in what we're been doing in negotiations. It's most important that you understand the basic objective.

We know that over the years, over the decades, our agricultural exporters have faced a lot of barriers, a lot of frustrations in other countries, in our markets overseas. When the importing country has said, "We can't do this because we have a concern about protecting our consumers or about protecting our agriculture," the only recourse we really had was to go government to government. We could reply that we understand what you're saying, but we don't think it's reasonable, we don't think there's any scientific reason for having to keep out our exports, and then we could try to convince them. We could bring in our Government scientist. We could bring in private sector scientists. But it always came down to the same thing—we were dependent on that Government's decision. If that Government said no, that was the end of the case. The message back to Washington was: "Sorry, there's nothing else we can do."

What we want to do through GATT negotiations is for the first time have some recourse for our exporters. We want an international forum where we can go for a review of cases like that. The reason we have to do this with GATT is that the way GATT is presently written it says only that with all these GATT rules and despite the existence of those rules, if a country feels a measure is necessary to protect human, animal, or plant health, then it can ignore any of the other GATT rules. In fewer words, it can do anything that it wants.

In these negotiations, we are trying to develop a set of criteria, some guidelines, requiring that when countries take these measures—and we understand all countries will need to take legitimate measures to protect health--that they should be science based. They should be transparent. The information about these measures and what is required should be readily available to anyone who wants to export. The important part is that international standards would be involved.

Achieving such standards has been one of the more difficult aspects of negotiations. We have tried to tie GATT work into three international organizations. One that probably is the best known is called Codex Alimentarius Commission of the Food and Agricultural Organization of the United Nations. That organization has been developing through its member countries, including the United States, a set of food safety guidelines or standards over a period of about 30 years. So we're trying to tie GATT trade rules with the work of Codex Alimentarius. The agreement we're developing has a number of features but without going into detail the important element is that they call for measures to be science based. Another important element is equivalence. In other words, if a country is going to require certain measures to be taken on a product that's exported to it, for example a plant health concern where the country wants the product to be fumigated the way it would do it, equivalence says it doesn't have to be done just the way the importing country asked for it to be done, or the way the importing country does it, if measures the exporter takes provide an equivalent level of protection.

A term you might hear that is associated with this initiative and the GATT negotiations is harmonization. The term has been somewhat of a public relations nightmare. Original developers of the idea probably understood harmonization to mean that you would take all food safety standards around the world and make them identical—and ideal for international trade. It would be ideal but also completely unrealistic, at least in the near future. So we would like to create

incentives through the GATT agreement. Countries would take a harmonized approach through an agreed set of criteria over a long period of time toward actual identical standards. This would be done through a series of independent decisions by countries looking at the international standard and deciding acceptance would facilitate trade. Eventually, in some areas you might achieve a large amount of standards that were actually identical or close to identical.

Our objective is very clearly to assist U.S. agricultural exports, facilitate our trade, but with this effort we're moving into an area that has never been entered in terms of agricultural trade negotiations or GATT. Moving into the food safety area is unprecedented in the history of GATT. It also is unprecedented to attempt to deal with food safety in any kind of international trade context. This has, as we expected from some time ago engendered a good deal of opposition from groups who don't feel we should be trying to deal with food safety issues in an area such as GATT. As a result, in Washington, especially over the past year, we have had a number of consumer and environmental groups who have been very much opposed to what we're doing. We have met with them on a fairly regular basis. The problem, frankly, is that they're coming at the issue from a very different perspective. They don't have an interest in trade, so when we sit down and meet with them, it's sometimes hard to have a basis for discussion. One of the points some of them have continually hit on is that this isn't really needed. They want to see hard evidence of problems American exporters face. At one point, we even brought in people like Chris Schlect and others to tell them about several barriers in these areas, such as protectionist measures implemented on the basis of so-called health concerns. That helped some of these consumer groups but others remain unconvinced. Philosophically, some of them have a serious problem trying to deal with science as a basis for an agreement. They say science cannot be the determinant, that you have to look at other factors when you're making safety regulations to protect food. But science is really all we have and I think we're taking the right approach.

These consumer and environmental groups have been, to this point, thoroughly effective in working with Capitol Hill. That's where we have spent a fair amount of time ourselves and we need to spend more time with Congress. We've had some cases where consumer groups were the first ones to reach certain offices and so the explanation Members of Congress received of what was happening in the GATT negotiations was from the consumer or environmental group's slant. We probably need to do more consultations with the Hill. We have seen some concerns from Congress that maybe didn't need to happen if Members had had a better understanding of what we're trying to do in the GATT negotiations.

In terms of where we're at right now, sanitary/phytosanitary and GATT negotiations have been on a separate track. There is a working group under the overall agriculture negotiating group just for sanitary/phytosanitary measures. We have developed a text of the agreement that's been revised about six or seven times, so it's in quite good shape. A couple of outstanding issues remain but we're quite close to having an agreement that I think would be a great benefit to the U.S. and to U.S. agricultural exporters.

However, everything is on hold, including sanitary/phytosanitary efforts. Until the overall agricultural negotiations come together, we're just going to have to keep the sanitary/phytosanitary part on the shelf. When the rest of agriculture and the rest of the round come together, we can address the text of the agreement again.

A few basic issues will have to be resolved and then we will have a quite effective agreement available. Because of the new areas we've entered to develop this agreement, we have had to work with the Environmental Protection Agency and the Food and Drug Administration much more than my agency in USDA, an export agency, has ever had to before. There was a good deal of resistance initially from those agencies. They're not trade agencies. That's not their mandate. International trade is not one of their primary interests but they have been cooperative and have understood the overall objective, even though it's not the objective of their agencies. Only because the various agencies in Washington cooperated were we able to make the progress we've made in Geneva at the Uruguay Round negotiations.

FOOD SAFETY ISSUES AND PROBLEMS: Minor-Use Chemicals and National Uniformity

Christian Schlect
President
Northwest Horticultural Council

For those who want a good understanding of where farm policy is in the area of food safety, I suggest you get a copy of the official publication on the 1990 Farm Bill. Also, public interest in food safety was reflected in a recent article in the Washington Post, which stated in part: "Increasing food safety and nutrition issues are commanding attention in congressional hearing rooms. Speaking about the last session of Congress, Peter Hut, partner of Covington and Burling, who has been involved in food regulation for 30 years, says he doesn't remember a time when more food legislation was on the table."

In a way, there is good news and bad news that could come out of the next sessions of Congress. Obviously, the war is bad news but the good part of that bad news is that public attention is focused on real threats and real risks. The political makeup of the 102nd Congress is known because of the election. But the leadership positions are not known, and now with Secretary Yeutter's decision to leave USDA, a lot of internal USDA positions are uncertain. These different political factors, plus the time for new people to get settled in, and until the war situation gets settled to some degree will give us some time to work on food safety issues—time that we may not have had otherwise. Depending on who is Secretary Yeutter's replacement, we may have a Secretary who has virtually zero interest in food safety or we could have one with a high degree of interest. For example, if Jack Parnell of California who's now number two were to be elevated, he's had a great deal of experience within the Administration on food safety and assumably would continue that interest. Cong. Ed Madigan, who was mentioned as a candidate from Illinois, was the leading person on the House Republican side carrying food safety from our point of view, or from the point of view of agriculture. He would be a solid person in that light. Cooper Evans was mentioned. He was at the White House and issued a report that I'll talk about briefly on the old concept of minor-use chemicals and was supportive in bringing White House attention to the problem of minor-use chemicals. You should get a copy of that minor-use chemicals report, also.

The alar situation has focused our attention on food safety in the past couple of years. Then the Farm Bill set the stage last year. We're working on things that are simple but important, such as labeling. Last year, we took the lead working with Food and Drug Administration on post-harvest chemical and wax labeling on our products. I've seen that some of your products have those kinds of issues, but on the West Coast, at least, they have been basically handled. Labeling has been an irritating issue of finding out exactly what is needed to be on a label of a carton shipped to market.

National uniformity will continue to be a big issue. The National Food Processors (NFP) last weekend initiated a new attempt to get national uniformity and also to get rid of the Delaney clause that applies to processed foods. The Delaney clause says that any chemical that might be cancerous must be eliminated, at least in processed foods. On fresh foods, at least you can balance use with benefits. NFP would like to go to that benefit analysis for processed foods, also.

Last year, the Administration came up with a food safety proposal that it didn't really push for a variety of reasons, including other legislative priorities. However, the Administration did work with Senator Lugar, and Representative Madigan. The Administration proposal included shortening the timetable to get rid of problem chemicals, which everybody, in theory, believes in, but at the same time recognizing that since there is no such thing as zero risk, developing some kind of standard range that would allow for products to come to market if there's a benefit showed. The proposal is an alternative to Senator Kennedy's and Representative Waxman's bill on food safety.

FIFRA (Federal Insecticide, Fungicide, and Rodenticide Act), has been around many years, and there's been activity a lot of years to change it. Rewriting it pits environmental groups against the chemical industry and we're in between. That is the bill containing the Delaney clause and a lot of pest and disease control provisions that affect how products get to market. But, again, the political situation is muddled back in Washington, DC. For example, George Brown, who had been a long-time subcommittee chairman of the committee of jurisdiction over FIFRA, shifted to another committee and as of last week he had not been replaced by the Democrats who control the subcommittee chairmanship. If we're lucky, it'll be

Charlie Stenholm, a great American and a nice guy who's on our side.

We also work on research and appropriations, which shouldn't be slighted. We've spent 5 or 6 years trying to get a relocated Yakima Agricultural Research Service laboratory that could deal with chemicals and alternatives to chemicals for the control of pests on fruits and vegetables. It is a major league problem in these budget times to get money appropriated for laboratories, even though everybody wants solutions, zero risk, and alternatives. The farming community must do an extra job, not only in laboratory issues, in supporting FDA, EPA, and USDA in getting funds to the right places within departments that will boost public confidence and perhaps give us the tools we need in the next 10 or 20 years. In the past 10 years to my knowledge, there have been zero new construction projects at ARS. The agency has been collapsing instead of expanding, and yet the public outcry is for more answers. I will guarantee that the public is not going to trust chemical company research on food safety issues. I don't belittle that and it needs to go forward. In earlier days, a lot of research could be funded or done by the big chemical companies, but that's not going to cut it anymore.

In closing, two things merit watching. One is a Supreme Court case on national uniformity that's important and needs to be followed. The issue is whether a local jurisdiction or city can impose stricter standards than are in the FIFRA law. That will be a good test case to determine exactly where the Supreme Court thinks preemption by the Federal Government really is in the area of food safety. The other thing to watch is in the Cooper Evans White Huse report on minor-use chemicals. Two paragraphs in the draft state:

"America's farmers are members of an array of organizations. Few of these, however, are properly structured to deal with minor-use pesticide registration problems. Existing commodity organizations were formed for other purposes. Most are simply not prepared to track regulatory fade of minor-use pesticides or deal with EPA reregistration bureaucracy, in particular, growers of specialty crops represented by a large number of associations. There's not a single entity that coordinates and speaks collectively on issues such as minor-use pesticides. As a result, specialty crop producers lack a voice in policy debate equal to their importance."

The suggestion is that producers and processors must go in coalition to coordinate and finance a major effort to bring the minor-use pesticide problem forcefully to the attention of Federal policymakers. I believe that's accurate, and we will be working with our colleagues in California, Texas, and Florida in the next several months to see if we can accomplish that.

FOOD SAFETY ISSUES AND PROBLEMS: Addressing What People Think

Pam Jones
President
Jones Communication

In discussing the food safety issue, I'd like to start with the basic question: "Do we have a food safety problem?"

My personal bias is that despite the overall safety of the food supply, the possibility exists that we have particular chemicals of concern and that overriding issues such as worker safety and the environment are significant and need to be addressed. The food safety issue has captured the attention of the media, Congress, and everyone else. What is frustrating is that I've been participating in a 2-year dialogue convened by an environmental mediation group, which brings together about 50 to 60 representatives from USDA, EPA, and FDA agencies, Congressional staff, agricultural interests, chemical interests, environmental groups, and a smattering of academicians to discuss food safety and see if we can come up with some proposals. We're struggling with some issues, but what is interesting is that there's a contingent saying: "Do we really have a problem with food safety?"

The bottom line is that if people think we have a problem with food safety, it needs to be addressed. But it needs to be done not from a perspective of skepticism of whether we have a food safety problem but rather to study what we in the food industry can be doing to address environmental issues. Then we'll have a resulting food safety benefit of making a safe food supply even safer and possibly tightening up some of the holes in regulation.

As a quick overview of some regional issues, the Big Green initiative in California has been mentioned. This was an omnibus environmental bill that looked at four areas, including old-growth timber, reduction of chlorofluoro carbon use, offshore drilling, and the biggest, sexiest area — pesticides. Big Green would have banned outright any pesticide on EPA's A and B carcinogen list and possibly its C carcinogen list where it is a little less sure these chemicals cause cancer. Passage of the bill would have brought action ahead of the Federal reregistration process for chemicals. It lost by a two-thirds margin.

I was talking with someone from Washington the other day, and they were trying to get a feel of where agriculture stands on this. I responded that I don't think too many people are gloating and saying we have the environmentalists whipped and we can move on with business. Winning against Proposition 128, or Big Green, was really probably more dependent on the uncertainties of the economy and the sheer magnitude of our ballot in California. It contained 28 ballot initiatives, and a ballot handbook sent to the voters was nearly 200 pages long. My husband went down the ballot initiatives and voted "no" on everything just because it was so frustrating to be presented with that volume of complex information about which none of us is an expert. So Proposition 128 didn't win but it was a warning shot over the bow . Every lobbyist in California expects to see components of it introduced as legislation. What you should know is that components of Proposition 128 started out in the legislature, were not passed in the legislature, and so we saw them in the initiative form. Components probably will go back to a legislative pattern and if that doesn't work we can expect to see broken down components of it in 1992. So the battle is not over. We didn't win it. We got a temporary stay of execution and a little time to do some things both legislatively and substantively in the field.

In California, likely by the end of the year, we're going to see a switch in the regulation of pesticides, and we have a significant $40-million system to regulate and monitor pesticides. By the end of the year, we're likely to see that regulation shift to the California Department of Health Services. There is concern in the agricultural industry that perhaps that agency won't be quite as accessible, but those in the processing industry have found the Department of Health Services quite cooperative and responsive. I don't expect much change in the monitoring and regulating of pesticides because, quite frankly, all the expertise is in our Department of Food and Agriculture. It will be the same people and they possibly may even stay in the same buildings. Nevertheless, the perception is that it would be a different agency, and that is what we're dealing with--perception and credibility.

One of the top staff people in our Department of Food and Agriculture said a couple of weeks ago that we have seen the future and the future is not in chemicals. This statement may seem unlikely to be coming from a friend in the Department of Food and Agriculture, but what he meant is that the Federal-level reregistration of chemicals, particularly minor-use

chemicals, presents special problems. If a chemical company is not in corn, oats, soybeans, wheat, rice and cotton in the terms of chemicals, it is not really a big enough market to go to the expense of generating the data to meet the current standard. So, chemicals will be removed through the reregistration process. Chemicals will be removed by companies who choose not to go through reregistration. The IR4 program, which registers minor-use pesticides, has a $4 million budget. It's not going to go up.

The proposition 128 and the farmers' alternative in California had some funding methods ... deficit. There won't be money coming from the State. At a conference I attended yesterday, we were told not to look to the Federal Government for a lot of help in these areas. To me, that means either increasing reliance on user fees and licenses, or looking to commodity organizations to develop alternatives to chemicals, and register chemicals.

What are the basic issues in this food debate?

The University of California summarized them in three areas a couple of years ago after talking to hundreds of people involved in this issue from all aspects. To lead up to the consensus of what these issues are in the debate, consider the answer to this question:

How many of you think we have a safe food supply?

How many can give me a clear-cut definition of what safe means?

If you can't, you're not alone. The Federal Government can't do it. We just heard Chris say there are two standards, one for processed foods and one for fresh foods within the Government's cancer policy. For a raw agricultural commodity, if it meets a standard of one hypothetical excess cancer case in a million, based on their fancy calculations, and we can balance the risks and benefits, it is considered acceptable. For processed foods, no risk is allowed for a carcinogen. Those are very different standards. In California with Proposition 65, the definition of safe or safety is one in 100,000. That's a substantial magnitude of difference.

So the first basic issue area is that no consensus definition exists of what safe is. There's a lot of jostling about definition.

The second area is the need to improve the scientific data base.

Concern is largely for older pesticides on the market that were registered before current health standards were adopted and required.

About 400 food-use tolerances exceed the 1-in-1-million cancer standard. If we had better data in terms of actual carcinogenicity in terms of food consumption and therefore exposure, these risk assessments may be altered. There will be an attempt at the Federal level to generate this data. But, quite frankly, we don't have very good use and residue data. In the absence of that information, risk calculations, projections, assumptions, and allegations will be made on hypothetical numbers as we saw from the National Resources Defense Council, and as we saw from the National Academy of Sciences in 1987--calculations based on numbers that don't necessarily reflect what's actually happening in the field. The third area is the need for more effective regulations.

The complaint I hear many times from environmentalists is that we have regulations on the book based on how they're supposed to work, rather than on how they actually work. There is a difference.

Jack Moore, former deputy administrator of EPA, said on the "60 Minutes" program that if alar were attempted to be registered today, it wouldn't be on the market, but he couldn't take it off the market, because of the regulatory process. That was the real focus of that 60 Minutes report, not simply on whether apples were safe or not.

Some real issues are out there, so what can we do about them?

I have a few suggestions, some of which are my own, and some are from other people. First, the agricultural industry needs to take some steps in its production practices to reduce its reliance on chemicals, particularly high-risk chemicals that have been identified through various processes such as the EPA list of carcinogens, the endangered species act, and a number of Federal and/or State regulatory actions. To the extent we can reduce reliance on them and not again get caught in an alar situation, I think the better. How do we do that? Go organic? No. For some people, organic may be a marketing opportunity and for some it may be a philosophical commitment and a way of farming. But the near consensus is that integrated pest management

has benefits to the producer, the consumer, and the environment. IPM has many definitions, but the National Coalition on Integrated Pest Management describes the concept as pest population management system that uses all suitable techniques such as natural enemies, pest resistence plants, cultural management, and pesticides in a total crop production system to anticipate and prevent pests from reaching damaging levels.

Opportunities are possibly within your own bargaining associations to promote and encourage IPM. The Process Tomato Foundation, started a year ago largely through the efforts of Dave Zollinger, California Tomato Growers Association, and a group of major tomato processors in California, was formed to collectively address environmental and food safety issues. Over the past 2 days, the Foundation has conducted two seminars called "Integrated Pest Management Opportunities for the Future." This is an example of bringing together the interests of growers, processors, and regulatory people to constructively address issues. At those two meetings, we had nearly 500 people representing growers, processors, and pest control agencies. And there are only 550 or so processing tomato growers in the State of California. The purpose was not to give them the specific "how to"; rather, it was to get people singing from the right page in terms of the need for agriculture to constructively address issues and recognize opportunities and limitations. So even your own small groups can do something to help growers that does not mean a reduction in yield, does not mean an increase in cost, does not mean increased risks, and does not overall and importantly mean a reduction of quality in the product.

A second area is use and residue data. This information is necessary to make some judgments about what is used, how it's used, and what residues result. Without that information, we really are lost in making risk calculations. Linda Fisher, assistant administrator of EPA for pesticides, has invited this type information and said that it is crucial. As an example, the California Tomato Growers Association in part in reaction to a National Academy of Sciences report that showed process tomatoes as having a fairly high cancer risk constructively addressed that risk by conducting grower-use surveys in 1987 and 1989. CTGA was able to show that pesticide use was reduced during that period by 27 percent; the number of applications and the number of chemicals used on 25 percent or more of the acres was significantly reduced; application rates of the most used pesticides were on average two-thirds of the label rates; and that the vast majority of the chemicals were applied weeks or months before harvest, allowing time for breakdown.

We put together a simple brochure on the Processed Tomato Foundation and on the back summarized results of that study. We will share this information with some of our critics and people who are just interested in knowing more without having to wade through thick reports, which they usually will not do. They can quickly see what the processing tomato industry has done to address environmental issues, not defensively, but by saying we know what's used, how, and where. This sort of effort is respected within policy circles, within the environmental groups, and within those individuals and agencies making decisions. And it is within the range of what some of your groups can do.

A third area is to look at quality standards. And at our conference yesterday, one of the major processors said it will be considering the elimination of rejects standards for products. At this meeting, we saw a real change in the opinions, at least expressed opinions, of the processors; philosophical change with regard to pesticides and environmental issues. For example, prescriptive calendar spraying advice is changing to spray when you need to. They're particularly concerned, obviously, about branded products, and they should be. Significantly, these major processors were saying they could not afford to do business the way they did 5-10 years ago.

A fourth area is communicating to the public. Two messages consistently make a difference:

1. Systems are in place to protect the public with regard to the safety of the food supply; and

2. The agriculture industry is taking progressive steps to address environmental issues, farm smarter, and reduce pesticide use.

Willliam Riley, administrator of EPA, said recently that the surest path to protecting human health and the environment and to gaining the public's trust lies in our ability to point to a steadily decreasing volume of use and exposure

to harzardous substances in the environment. Most commodity groups are probably in a position to do that, or could be. And that is really what sells.

Lastly, is there opportunity to expand groups such as the Processed Tomato Foundation? It is a tense time between growers and processers but they have come together on an issue of common concern, indicating somewhat the maturity of the industry. Should we mount a national public relations campaign, or should we have more commodity groups? I think there's room for both. In terms of the policy arena and the environmental community, big public relations campaigns are suspect. Most aren't funded well enough to reach 250 million Americans the seven times necessary to make an impression. And information imparted does not necessarily mean agreement. Smaller commodity-based operations are sometimes easier to operate because they can actually show some change and effect programs to address environmental issues. I would suggest you consider such a program. It may be something that for very little money could have some real benefits for your commodities.

Wally Ewart
Vice President
Northwest Horticultural Council

Most of you probably remember the "60 Minutes" report on alar, remember a poisoned apple, and remember the consumer report that came out later about apples and processed apple products that showed the hand of a witch. As a grower, as someone in the industry, I don't think anybody will forget it. That's one of the reasons the apple industry and the tree food industry, especially in the Northwest, have been leaders since that time in trying to get away from those images and trying to get consumers away from those images.

A lot of what you've heard at this conference has been about efforts underway to strengthen consumers' trust in the safety of our food supply. Motivation is certainly present in the apple industry. We have done many things that involve money, time, and resources. The apple industry is the first industry in the country to have a national chemical use survey. The International Apple Institute initiated the survey. One year's survey is complete, and we're in our second year. This year, Northwest Horticulture Council is working with other people to do a national pear chemical use survey, and we will be going on to other tree fruits. We are a focal point for this, and have been since 1984 and 1985 when the alar story first broke. Before that time, all of us in industry relied on Government regulators and chemical companies to develop data to determine whether chemicals should be used on our crops, to what extent they should be used, and whether they were safe. That process was not successful. That was not enough. There had to be other efforts and input. The growing community had to make many decisions about what is safe, what is not safe, and what should be used.

The other part of the chemical use equation is to work with regulators in areas such as screening current chemicals, the reregistration process, and developing new uses and new tools. The word that chemicals are not in our future is interesting because most of you know the number of chemicals we had in the past was more extensive than we used. In apples, more than 140 chemicals are available. However, most growers don't use more than 10 or 20 of those in any one growing season.

Chris Schlect alluded to the ARS Lab we hope will be built in our area. That is an answer to developing new methodologies for controlling pests, but those research programs will be 5 to 10 years away from actually being in practice. And so we have a real problem between now and the time those new tools and new methods come into place. I want you all to know that chemicals will be a part of your future for the near term. There is no alternative. Otherwise, we won't have the food supply we have right now. There can't be an abrupt change without some alternatives. Having a Federal regulatory system in place that does not serve the needs of consumers and that does not serve the needs of the industry that produces our food is our problem. For example, as we've gone through reregistration, we are finding chemicals that now are required to meet the standards of today and some of them might have a tenth of the data required to register a new chemical.

We're going to lose some chemicals not because of any problems with their safety or toxicology but because it takes millions of dollars to develop the tests required to reregister a chemical. Those millions of dollars are not available from the registrants. I doubt if funds are available from the Federal Government. Industry is going to have to provide some funds, but it can't register all 140 chemicals at $2 million to $3 million apiece. It won't happen. For the near term, you're going to see more and more chemicals lost in the reregistration process. You're going to see a few chemicals come under the food safety focus. And you will see, I hope, an emphasis on moving away from some of the chemicals we have now and toward new materials we hope will be developed and approved. That process takes time but it will take your efforts now. We can't depend upon Federal regulators, the Federal Government, IR4, or the chemical registrants to do all this. We're going to have be very involved, meaning you and your organizations. Northwest Horticultural Council has formed a science advisory committee, made up with industry people and scientists. We are working diligently to cover tree fruit in the Northwest and Washington and Oregon. We hope other organizations across the country are doing similar things and are going to be active, and quickly. If they don't, they will find themselves without the tools necessary to maintain their industry.

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